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SENATOR PASTI INTERVIEWED ON U.S. STRATEGY, PEACE MOVEMENT

Florence NUOVA UNITA in Italian 14 Apr 83 pp 4-5

[Interview with Senator Nino Pasti: "United States Strategy and the Peace Movement's Decisive Struggle"]

[Text] Nino Pasti, a former general in the Italian Air Force, held important NATO posts between 1963 and 1968 (Allied Vice Commander in Europe for Nuclear Matters); he is an independent senator and managing editor of the magazine LOTTA PER LA PACE [Struggle for Peace]; he is the author of the book "Guerra termonucleare" [Thermonuclear War], Napoleone, 1982.

[Question] What is your judgement on the new antimissile defense system disclosed by Reagan?

[Answer] These "proposals" are extremely serious because the security system that would guarantee--or that will guarantee, if it is implemented--the United States against any nuclear attack and any response from the Soviet Union means that Reagan is getting ready to make nuclear war. There is a radical change in this policy. In the past, the two superpowers agreed (SALT I) that there was to be no absolute defense system precisely in order to make nuclear war impossible since there would have been mutual destruction. These new ideas of Reagan's signify a change from impossible war to a possible war which the United States can win.

[Question] The establishment of such a defensive system certainly is not going to help negotiations in Geneva.

[Answer] Obviously not. Let us look at an example which might seem very minor but which makes the idea quite plain. If I have a flak vest which enables me to be absolutely sure that nobody can hit me, then I will be ready to fire on the others because I know I can win. Well now, that is Reagan's philosophy: To prepare an absolute defense which can guarantee the security of the United States and hence enable that country to prepare for war. This approach is contrary to any possible detente, any possible accord with the Soviet Union.

[Question] Reagan thus wants to tear up the SALT I Accords.

[Answer] Exactly. SALT I consisted in a freeze on existing strategic arms which are more or less equivalent but above all it meant a ban on the installation on more than two defense systems which were clearly indicated: One of them to protect the command centers which issue the orders and the other one to protect a few retaliatory missiles so that an unexpected attack could be met with a response that would have destroyed the attacker. Next, continuing along this line, these two systems were reduced to a single one precisely in order to increase the dangers of a mutual nuclear war, that is to say, to prevent nuclear war. Today the United States has completely changed its orientation. It has switched from the consideration of a nuclear war which would destroy both sides to a concept of a nuclear war which would destroy only the Soviet Union and, naturally, Europe.

[Question] But in that way, the bitter debate on the SS-20 missiles and on the presumed advantage which the USSR would have acquired in theater weapons is thus set aside. As a result of these new guidelines coming from Reagan, it becomes a phony debate.

[Answer] The debate has always been phony. The SS-20 missiles, which, with lesser nuclear explosive force, replace the old missiles, are weapons that were used to balance the weapons already deployed in Europe by the Americans, the British, and the French. This was a balancing effort therefore. Reagan's famous "zero option" is in reality destabilizing. Reagan in substance says either the Soviet Union destroys all weapons of this kind--so as no longer to balance the weapons deployed by NATO in Europe--or we, NATO, will deploy other weapons. In the end, there is still an increase in strategic forces earmarked to destroy the Soviet Union through NATO.

Warsaw Pact's Peace Proposals

[Question] Are the Soviet Union and the countries of the Warsaw Pact on the other hand making real peace proposals?

[Answer] The Warsaw Pact countries have made many proposals. I would like to underline two of them which are extremely clear and simple. (1) Today, in general, there is a nuclear balance, although in reality the Americans are stronger, although not strong enough to make war; hence, let us freeze the current status for the entire time it takes up to arrive at honest negotiations to reduce armaments. Freezing does not mean that we are content with the current situation; it means that, during the negotiations, no new nuclear weapons may be built. And I would like to recall that SALT II took 7 years of negotiations. In the meantime, Reagan has planned the construction of 17,000 new nuclear arms. If, for SALT III--or whatever it is going to be called--7 years would be needed, Reagan would have such a superiority as to threaten peace. Freezing therefore means gaining time for negotiations to develop. (2) Through a unilateral decision, the Warsaw Pact countries declared that they would never be the first to use nuclear weapons.

These proposals are very simple and convincing; they do not require great technical skill to be understood, so much so that millions of American citizens in the United States, the churches, and the United States Congress are working actively to make Reagan accept these two proposals. I would like to add another consideration. Today, the world is afraid of both sides. On the one hand because Reagan is making unrestrained propaganda about a nonexistent Soviet military threat and he therefore creates fear; the Soviet Union obviously is afraid of this rearmament. The freeze and the pledge not to be the first to use nuclear weapons would remove that fear and would create an atmosphere of greater calm without which there can be no effective negotiations. The world's security is based on these two proposals.

[Question] The Warsaw Pact's proposals thus created positive effects in the United States.

[Answer] This point is very interesting. When we began this campaign for peace, the average citizen was wondering what he could do in the face of these two giants who "would decide" his life and there was therefore tremendous discouragement. But that is not so. We can as a matter of fact see that something is happening. The peace movements in Europe, which involved millions upon millions of Europeans, have crossed the Atlantic and are now in the United States ever more capable of determining Reagan's action. The Congress is cutting the military budgets and is forcing him to accept the proposal as to "no first strike" and as to the freeze. I repeat: These are the elements which can calm the international atmosphere down and which can create that detente which is necessary for humanity and these are the results of the peace movements. The year 1983 is a crucial and decisive year. If we continue to boost the peace movement, we will succeed in averting great dangers. The future depends on all of us.

United States and Italian Policy

[Question] Concerning these problems, there is a link in the European countries in terms of the attitudes and positions which in Italy, on the other hand, would not seem to exist in the light of the decision to go ahead with the installation of missiles at Comiso.

[Answer] Italy is strictly subordinated to the Pentagon's policy and decisions. We take no initiative unless it was first indicated by the Pentagon in some specific fashion. The same does not apply to Europe or to Italy itself where public opinion is always more aware of the fact that these decisions are wrong and dangerous. I would like to mention two specific facts. Norway and Denmark do not have any nuclear arms on their territory and do not want any. Belgium and Holland, both of whom were supposed to install the cruise missile, do not want it. In West Germany of course the right-wing forces have been successful but Kohl keeps insisting actively in an effort to convince Reagan to relax, to prevent the deployment of missiles in the FRG. So, only Italy stuck to its position. Without batting an eyelash, the socialist defense minister continues to say that it is necessary to deploy them because they are necessary for defense. This is a gross lie. Now, I am not just saying that here; I said it in parliament, during my numerous speeches in the Senate. It is not true that the cruise missiles or, worse than that, the Pershing missiles guarantee Europe's defense. They are a dangerous step toward nuclear war.

[Question] Is there a link, a thread which ties the decision to install the missiles at Comiso and the decision to send Italian soldiers to Lebanon? Is it not a dangerous game to involve Italy in American plans in that area?

[Answer] Certainly. Just a few days ago I made a speech in the Senate in the course of which I explicitly told some of my colleagues the following, among other things: You can falsify the data on the nuclear balance or the balance of forces between the United States and the USSR and, in particular, you can support all of the propaganda lies, coming from the Pentagon but you cannot falsify geography. Comiso is in the center of the Mediterranean; the weapons to be installed in Comiso have a radius that includes the Middle East; in that region, the functions of the so-called peace force are not aimed at peace but at explicitly supporting American policy which provides any kind of aid to Israel. The government in Tel Aviv, if we want to be quite clear on that score, is already the "rapid deployment force" the American task force. Hence, we have Comiso with an action radius extending all the way to the Middle East and then there is Israel which wants to keep the fires of war going, we have the remilitarization and nuclearization of the Indian Ocean, as well as military aid to Pakistan and China. If we look at a map, we can see that this circle closes around the Soviet Union.

The Israeli invasion of Lebanon in reality was desired by the United States. I would like to recall that there was a Geneva conference in 1977 which had two chairmen, an American one and a Soviet one; the conference was to take up the Middle East solution. Carter decided that the conference was not going well for him and proposed a limited and separate peace, a dangerous thing, with Egypt, which enabled Israel to concentrate on the invasion toward the north. These are the facts and they cannot be denied. It is therefore not true that the United States wants peace in the Middle East. All it would have to do would be to cut off the aid and Israel could do nothing. Instead, the United States continues to help it, to sustain the Israeli campaign, to extend its own predominance and to constitute the long American armed hand in this difficult region among the petroleum producing countries.

[Question] These methods can be compared to those which the United States is using in Latin America.

[Answer] It is the same policy. Through economic and military aid, the United States is boosting all of the regimes which serve American interests without taking the will of the peoples into account. In El Salvador, they have killed Monsignor Romero; they even killed American citizens; but these are things that are of little significance to the American administration because the interests of the United States are superior. Now, in Nicaragua, we can look forward to another extremely dangerous situation aimed precisely at stifling the aspirations of the Latin American peoples for liberty and independence.

[Question] Let us get back to the Italian government's policy, to its relations with parliament. We have been watching the growth of military expenditures and the defense budget which Lagorio wants. I want to ask you this: If in the United States the Congress succeeds in limiting the military spending which Reagan submits and if there is a rather thorny confrontation between the administration and the members of Congress, how is it possible in Italy that

Parliament does not manage to reduce military spending, in a parliament where there is a strong opposition?

[Answer] Because in Italy we do not have a strong parliamentary opposition. If we had a strong opposition also in Italy, then the same thing that is happening in the United States would be happening here. This is a very serious thing; the country is increasingly convinced that things are not going well, in particular regarding military spending. Let us talk plain language: There is nobody threatening Italy. The threat comes from the United States because, by increasing our forces, including the conventional ones, there is the danger of unleashing a war. Rogers, who is the NATO commander--in this connection, Italy's forces are always commanded by an American general--is again reviving the idea that the war would at least initially be conducted with conventional forces. This is another American propaganda lie: It is not true that the conventional armed forces of the Warsaw Pact are superior to ours. The opposite is true: The Warsaw Pact has 4 million soldiers less than its enemies. In Europe, we have 700,000-800,000 soldiers in the NATO army more than the Warsaw Pact. In Europe! In Central Europe, we have been negotiating for the past 9 years, if I remember correctly, on the reduction of forces; a disagreement in the estimate of forces deployed in Central Europe has arisen. The statistics that were presented show sufficiently clearly that there is a balance already today. NATO insists on saying that the Warsaw Pact has 150,000 soldiers more than NATO out of every million. Even if we wanted to believe that estimate, it is wrong: Out of a million soldiers, this would amount to 15 percent more, even if we assume that this is really so. This is absolutely insufficient to mount any offensive according to the most frequently accepted military theory; for an offensive to be successful, those who attack us would have to have at least three times the forces deployed for defense. We are very far from those proportions. In reality, NATO could very well and in a short time attain decisive superiority over the Warsaw Pact, including conventional superiority. There is therefore no reason why we should have to increase our forces and we have every reason to do the exact opposite.

Getting Out of NATO

[Question] Now, the important thing is what we can do inside the institutions. The pressure of democratic public opinion in Italy is important to make sure that the missiles will not be installed at Comiso. But the peace movement remains decisive in Italy and therefore also the real pressure exerted by the workers, the young people, and the women to change Italy's policy. In this connection, I would like to ask you, as managing editor of the magazine LOTTA PER LA PACE and as chairman of the organized movement by the same name which has been gradually been built up in recent years, what meaning and what importance should be assigned to the idea of getting Italy out of NATO.

Struggle for Peace

[From Vicenza to Comiso: No to the Bases of Death! Shoulder to Shoulder with Nicaragua.]

[Answer] This is an important question. If Italy remains in NATO--which is an alliance that is clearly guided by the United States and in which the other member countries absolutely do not carry the same weight and play the same role as the United States--then we must look reality squarely in the face: The United States is preparing for a nuclear war which it says can be "limited" and extended in terms of time. On the basis of my experience, I do not believe that we could have a limited nuclear war. But even if I were wrong, "limited" would mean limited to Europe, in other words, Europe would be destroyed. If we were to remain within this alliance--within NATO--which is proposing these goals, then it is clear that it will be difficult for us to fight a battle for peace and for a policy of detente. This is why Italy's parliament--which is most supinely subservient to NATO propaganda--never reacts.

We have to get out of NATO. But we must not get out to weaken or strengthen one or the other but rather because that alliance is an aggressive and dangerous alliance. It was that from the beginning and it is now again becoming that sort of thing. We must therefore get out of NATO which, among other things, has subjugated Italy to tightest American predominance. We have lost our national sovereignty, a large part of Italy is subjected to military requirements which are decided, desired, and run by United States commands. In Italy, we have 1,500 nuclear weapons which are exclusively under American control. We do not even know how and when they will be used; this is a decision that would be made exclusively by the Americans. Well, now, we would find out what goes on the moment retaliatory weapons drop on Italy. This is NATO: National sovereignty lost, extremely serious sacrifices from the economic and social viewpoint, extremely serious danger because these weapons are beyond our control. In getting out of this alliance, on the other hand, we could, together with the nonaligned countries, pursue a policy of peace and detente. Let us understand this correctly: We do not want to become associated with another bloc, any military bloc, if Europe--beyond the serious economic and social problems which would take up too much space here--wants to take a first decisive step to get out of the crisis which besets it; we must break away from both blocs and set Europe up as a bridge, building links, friendship, exchanges between the Soviet Union and the United States.

We have a great task before us: To develop friendship and detente between both powers. I would like to recall one last fact: You remember when Carter, at first, and then Reagan said: "We want to make the Soviet Union starve. We will not sell it anymore wheat." Today Reagan is in despair because he lost the market of the USSR. The United States used to supply 75 percent of the wheat going to the USSR and today the figure has dropped to 30 percent. The United States also needs this trade which can certainly be handled in a much more profitable manner in a climate of detente.

Difficulties Facing Unity Struggle and Relations With Italian Communist Party

[Question] Now, regarding the composite peace movement in Italy, which is made up of so many organizations and also so many different situations within which the struggle for peace takes place, what, in your opinion, are the problems and difficulties in drafting a unity line capable of effectively changing things?

[Answer] The difficulty faced by the peace movement is something like the difficulty I mentioned earlier with respect to parliament. The parties face specific responsibilities. Those on the right, for the conservatives, although they also talk about peace, are tied to American interests, hand and foot. The problem also involves the left-wing parties which should mount a very active drive but are not doing so. Looking at the socialists, we have Lagorio, the defense minister, whom I call the minister of war--and I have done so in parliament; he is the man who decided to deploy the missiles at Comiso and he said that it is necessary to deploy those missiles at Comiso. But I have criticized and I do criticize the PCI [Italian Communists Party] itself because, with the organization it has, the PCI, if it only wanted to do seriously, could develop a consistent drive for peace; it could organize forces much greater than those that are participating in the fight for peace today. Fortunately, the population is becoming more and more aware and is also becoming more and more active. Vast masses of people have realized that the world today certainly faces serious problems but that the number one problem is the problem of preventing nuclear war. Nuclear weapons are not selective in the sense that they would kill one and spare the other; they kill everybody so that we are all interested and involved in preventing nuclear war.

But the parties do not reason this way. They mix the central problem--preventing nuclear war--in with other problems, such as the problem of Afghanistan, of Poland, of the Middle East; these problems are certainly important and should be tackled in a serious and honest fashion but they cannot overshadow the central problem. The parties, including the PCI, in mixing together problems such as these, problems which are so different, are only dividing and weakening the peace movement. This, you can be sure, is the difference of opinion between the movement of the struggle for peace which we have organized and the way PCI leadership looks on things. Let us therefore discuss all problems we want to take up, but in other places, on another level. Today the central point is to prevent the deployment of Euromissiles in Europe and particularly in Comiso.

[Question] The relations which the PCI leadership and its various press organs have established with you and LOTTA PER LA PACE are certainly marked by a dialectical confrontation, although on different positions, but there is a declared ostracism, the use of insinuations, and an attempt to reduce your initiative to silence. How come?

[Answer] I was elected to the Senate of the Republic in 1976 and 1979 as an independent on the slate of the PCI. Both in 1976 and in 1979 I viewed the problems of peace and the dangers of war the way I view them today. Until those years, it seemed that the PCI was interested in my documentation. But then these things did not go well in the PCI any longer. This is the real situation. I continued to make statements in parliament based on official documents from the United States and NATO but nobody wants to discuss those things the way they should be. L'UNITA then published articles which are completely false to the extent that they involve me. There are insinuations and slander. I do not want to express judgments as to who might be doing this sort of thing. This is my opinion. It is not true that I am against the PCI. I am very sad that the PCI has edged away, on general and specific topics,

from the positions it held when I was involved in the election campaign. On these specific topics, the PCI moreover refuses any confrontation, a confrontation which I have asked for many times, both in private and in public.

[Question] One last question: You said that one can never change the situation in which Italy finds itself with respect to the problems of the dangers of war if we do not get out of NATO. Now, with respect to the development of your more general convictions, are you also thinking about the fact that in Italy it is more necessary than ever before to change things on the political, economic, and social levels? In substance, do your convictions include the aspiration of a different society which would be more fair than the current one?

[Answer] I am today against capitalist society. The mainspring of that society is profit and everything that is oriented toward the greatest private gain. It is not a social organization that is really aimed at satisfying the needs of the population. Here is an example: If I can make more money by selling Coca Cola and not by building houses, then I will sell Coca Cola. That is normal. We are awash in a sea of beverages but we have no housing. Or: If I do build houses, I do so in a speculative manner; I am not motivated by the need of the people for housing; that kind of need does not interest me; this is why I will try very hard to push the price up. These are the situations which strike me and this is why I do not like the capitalist world.

It is a world which does not take man's urgent needs as basis but rather the need for profit. In a fair society, on the other hand, this gain is collectivized. Everybody gets the kind of pay that enables him to live calmly without facing the risks which we run in Italy and throughout the capitalist world. All you have to do is think of the millions upon millions of unemployed who do not know how to survive. Here is another question: If a worker does not produce more profit in a private outfit, he is fired, he is left to himself, he becomes a useless mouth who is no good for anything. In the United States, there are very many people today who have no work and who do not know how to make ends meet. Compensation is given for a limited time and when it ends, so much the worse for everybody concerned.

We therefore need a socialist organization which obviously must be well run. Have mistakes been made here, will mistakes continue to be made in this field? Certainly, but while the mistakes made in a socialist system are mistakes within the system, which must be corrected and prevented, the capitalist system, even when it works correctly, is wrong precisely as a system. Take the relationship between technology and unemployment. Technology in countries such as Italy requires less and less workers to turn out the same finished product. FIAT maintains that it needs many less workers for the new "Uno" car. What about those who are no longer needed? Will they be laid off? If, on the other hand, profit were to be centralized and redistributed, it would be possible to give work, not to put people out of work.

PARAMETERS OF POWER GRID NATIONALIZATION DEBATED

Madrid ABC in Spanish 10 May 83 p 69

[Article by E.R.: "High-Tension Power Grid--The Government and the Utilities Are Studying the Form of Payment"]

[Text] The government and the electric power sector will study at forthcoming meetings the scope of nationalization of the high-tension grid and the payment formula. According to the statement of the minister of industry and energy, Carlos Solchaga, made yesterday, among the payment issues being studied--officially, the amount is unknown for the time being--two stand out: The possible compromise by the government to take over part of the power sector's indebtedness or a conversion of the utilities' debt into public debt.

With respect to the other points of the protocol signed recently by the administration and the electric power companies to tackle in a global way their problems and the nationalization of the high-tension network, the minister said that the announced audits that will serve as bases for the study of new rates will be concluded, according to his projections, in September or October. The date, which will be set at future meetings, has not yet been agreed upon. The meetings will also disclose which firms are carrying out these audits.

In his comments the minister and other energy officials in the Ministry of Industry and Energy did not provide specific figures on the possible cost of the nationalization that will involve 90 to 95 percent of the high-tension 450-kilovolt grid and two-thirds of the 220-kilovolt grid as well as the power plants and lines leading abroad. Neither has the form of payment been decided, but the minister noted various possibilities: That the state should assume responsibility for part of the power companies' indebtedness, that it should finance a portion of the costs or replace the utilities' debts with a public debt. Negotiations are under way and will be completed in the next few weeks.

The minister noted that the provision included in the protocol according to which the government will not execute any further nationalization was initiated by the administration which saw in this issue an essential factor for tranquility in the actions of the affected electric enterprises.

Carlos Solchaga backed the policy of reducing the dividend, as Iberduero did recently--because of the reduction in itself if not for the realism implied by

the determination of the dividend as a function of the results of the enterprise's performance. "I hope," he said, "that the other firms in the power sector will broach this policy in a general way next year."

Regarding policy on rates, the minister noted that these would be determined once the above-mentioned audits are completed. However, he mentioned that the burden of the electric power companies resides in their financial indebtedness and not elsewhere. According to data of the power companies themselves, total labor costs represent no more than 10 percent of their aggregate. The fuel component represents less than what one would believe given that with a price rise of 20 percent the rates would be affected only to the extent of 2.5 percent.

As regards nuclear power plants, Solchaga ratified the government's intention of slowing down the nuclear program in the time frame known already. Concerning Lemoniz he said that by the end of the year it would already be possible to designate the definitive schedule for its entry into operation, and that in principle there is discussion of late 1986 or early 1987.

African Gas Pipeline: More Information by the End of the Year

By the end of this year Spain will probably have drawn up more concrete studies on the viability of the African gas pipeline through the Straits of Gibraltar, Carlos Solchaga, the minister of industry and energy, said yesterday on his return from Paris. To a large extent the tempo at which the project to be proposed by Spain at the end of this week will be handled will depend on the speed of introduction of new Spanish proposals. In parallel manner, in the International Energy Agency a broad discussion will be opened to present the feasibility studies regarding the new gas pipeline.

In the presentation of the project in Spain Carlos Solchaga, the minister of industry and energy, stressed the complementary nature of this gas pipeline and the Siberian-European pipeline already under construction. According to the minister, the diversification of supplies and the possibility that within a decade energy consumption will increase substantially justify this project to cover part of that anticipated future demand of which gas represents a significant proportion.

As had already been announced from Paris, the initial computations of the Spanish project involve an outlay of \$10 billion.

2662

CSO: 3548/405

CRESSON ADVANCES PLAN TO REDUCE FOREIGN TRADE DEFICIT

Paris LES ECHOS in French 25 Apr 83 p 4

[Article by Jean-Michel Lamy: "Mrs Edith Cresson's Plan"]

[Text] In 3 months, i.e., between January and March, the foreign deficit amounted to 23.767 million francs as compared to 17.828 million during the corresponding period of 1982. In gross figures this comes out to 27.121 million francs and 20.477 million francs respectively. It is understandable that the Ministry of Economy and Finance has put off the 1983 goal of a maximum figure of a 45 billion-franc deficit to the period April 1983-April 1984.

Moreover, [Minister of Foreign Trade and Tourism] Edith Cresson's services feel that the March results--6.583 million francs--are linked to "the trend in the improvement of our foreign accounts that had been observed during the last quarter of last year." Mrs Cresson made the following comment last Saturday over the "RTL [Luxembourg Radio Broadcasting and Television Service] Unexpected News" program: "A tremendous effort remains to be made that calls for the mobilization of all Frenchmen, consumers, industrialists...."

Data published by INSEE [National Institute of Statistics and Economic Studies] show the extent of the 1982 damage. The nation's accounts indicate that imports of goods and services increased 0.4 percent in volume and 15.5 percent in price. Exports fell 3.9 percent in volume and gradually 15.7 percent in price. It is to be recalled that in 1982 the market gross domestic product increased 2 percent in volume and 11.7 percent in price.

Even though they are much less significant, the percentage of change for imports for March 1983 over March 1982 speaks for itself, namely in increase of 12 percent, while the percentage for exports for March over February showed an increase of 9.5 percent; a small reversal with a 3.3 percent increase for purchases and a 5.7 percent increase for sales.

Three Aspects

What are the possible countermeasures? Since the industrial upturn requires time, on 25 March the government adopted a consolidated austerity plan. The ministry estimates that "its effects will be felt on the trade balance around June-July." According to the Rue de Rivoli [Ministry of Economy and Finance], the reduction in imports will amount to some 25 billion francs.

Mrs Cresson intends to take part in this fight for rebalancing foreign costs. She retorted as follows over RTL on Saturday: "I well intend to take power. A balance of power is being established everywhere." This is how it is to be done:

First aspect: Establishment of a foreign trade delegation made up of about 10 civil servants, industrialists and bankers. Its mission is to set up a direct dialogue with producing firms and buyers for the purpose of creating a rapprochement and obtaining long term commitments, thus permitting firms to make efforts both from a production and quality standpoint to satisfy demands. National companies will be at the heart of this endeavor.

Second aspect: Making French consumers, big firms, local groups, as well as management more responsive. Mrs Cresson asserts, "They must learn to observe and choose in the direction of general interests." She has come out against the purchase of foreign vehicles which showed a jump of 31 percent between March 1982 and March 1983.

Third aspect: Development of a bilateral agreements policy. The minister asserted, "I will say that the Poitiers blackmailing tactics worked." Accusing other countries of concealed protectionist policies (it is true!), Mrs Cresson declared herself ready to adopt the same methods in a certain way. "With the Netherlands, that make up two French regions in size, our deficit is 13 billion francs. With the FRG the figure is 40 billion. This situation cannot continue and it poses a real problem of balance within the EEC."

Can this strong language be crowned with success? After the hold up of the video tape recorders in Poitiers, the Japanese indeed agreed to a European plan for better controls over exports on about 10 sensitive products. But a generalization of such methods in the community could quickly encounter boomerang effects.

Moreover, the "Cresson method" partly hides voluntarism in contradiction with "good market rules." How is it possible to imagine about 10 experts meeting as a foreign trade delegation effectively substituting themselves for a producer-client relationship? The idea on counting on administrative injunctions "to help" the public sector make the right choice may cause concern. Restrictive practices quickly lead to isolation.

The only realistic bet is the one represented by quality and competitiveness. Then and only then will consumers and firms freely choose "made in France" and foreign trade officials could only approve. Minister of Social Affairs Pierre Bérégovoy warned over Europe 1 yesterday: "For the moment the policy on imports suffices. There are no other measures to be taken because every administrative measure would stifle competition."

5671

CSO: 3519/463

FINANCING NEEDS VS AVAILABLE FUNDS FOR NATIONALIZED FIRMS

Paris L'EXPANSION in French 22 Apr-5 May 83 pp 55-59

/Article by François de Witt: "The Burden of the Public Sector"/

/Text/ It is good to have an open hand, but it is also necessary to keep the other firmly on the pursestrings. That is why, after its first bursts of generosity, the socialist government now needs to exchange the sower's openhandedness for the road-mender's shovel. It must, as best it can, stop up the three holes it has done most to dig: That of the budget, that of the collective welfare system, and that of the publicly owned firms. These are holes of impressive dimensions--(roughly) Fr 120, 30 and 50 billion respectively in 1983.

A different method is to be applied to each hole. The one for social security is tried and tested: To cut benefits and raise contributions. Still, 1983 will record two new refinements: A stamp duty on tobacco and alcohol, and a 1 percent surcharge on taxable earnings. Similar steps are being taken with regard to the budget: Spending is frozen and more revenues proposed--a tax on video recorders, a rise in the tax on motor fuels or compulsory loans. The public sector is something else again--this protean monster incorporating some 20 of the most diverse enterprises with a total turnover in excess of Fr 800 billion and burdened with debts in the amount of Fr 425 billion. What possible connection is there between the management of EDF /French Electric Company/ and that of SEITA /Commercial Tobacco and Match Manufacturing Agency/ or CII-Honeywell-Bull? Obviously they cannot be treated the same. Some public sector enterprises such as Renault are entirely subject to consumer tastes, others such as the RATP /Independent Parisian Transport System/ are complete monopolies, others again--such as EDF, GDF /French Gas Company/ or the SNCF /French National Railroads/--have two clienteles, one captive (private persons), the other free to choose a different supplier. At this point in time all they have in common is the incapacity to set their own rates.

The debate on the accounts of the public sector did not begin just now, but it received a great deal of impetus by the expansion of that sector and the speed of the deterioration in these accounts. As late as 1980 EDF, GDF, CII-HB, Pechiney-Ugine-Kuhlmann and Renault earned profits; in 1982 the losses of these five enterprises exceeded Fr 17 billion! In the same period their costs rose from Fr 13 billion to more than Fr 30 billion. That is the price of the great investment spending by firms that are not very profitable--at a time of poor business and high interest rates. As they are in the orbit of public authority, the question arises for how long and at what cost the French taxpayer and saver will be able to shoulder such a burden.

Last year 55 percent of the money spent by the 22 public sector firms (including the General Directorate of telecommunications but excluding Elf-Aquitaine, the AEC and General Nuclear Materials Company) were accounted for by an increase in their long-term borrowing, 37 percent by subsidies and capital appropriations, and only 8 percent by their own resources. When self-financing falls to so low a level, it is right and proper to inquire how long such a state of affairs can last. Already in November last the directorate of the Economic and Social Development Fund (FDES), a kind of interministerial committee instructed to 3 times each year examine the finances of the public sector "dating from before 10 May," cut to the quick by imposing a Fr 9 billion reduction in financing needs. The main victim of this measure was EDF; it undertook to reduce investments by Fr 1 billion, maintenance by another Fr 1 billion and to defer Fr 3.2 billion prepayment on orders to Framatome, its supplier of nuclear vessels. Within the framework of the recent austerity plan it is hoped to "scratch up" another Fr 3 billion from the same sources.

Unfortunately, while Jacques Delors' ants tightened the screws, Jean-Pierre Chevènement's crickets opened wide the faucets of the enterprises nationalized after 10 May, the spearheads of our industrial policy. On 9 February, the Minister for Research and Industry announced the distribution of 20 billion of stockholders' equity to his flock, although the projected 1983 finance law provided for only Fr 7.5 billion. "Only they get more," sighed the "old" public firms such as the SNCF or GDF. That is not quite true: From 1980-1983 the annual amount of stockholders' equity generally appropriated to the public sector rose from Fr 6 billion to Fr 28 billion. Still, when we realize that the 11 new nationalized groups--to be under the supervision of the "observatory of national enterprises" in the Rue de Grenelle --assume that they will need another Fr 30 billion of supplementary stockholders' equity before 1986, we are bound to get the impression that France has just committed itself to a dangerous game. Laurent Fabius, the new guardian, has plenty of work ahead.

Luckily 1983 appears generally to be a bit better than the preceding years. The new social burdens (in 1982 Renault's personnel costs rose by 22 percent) will be progressively compensated by greater productivity. Certain markets (aluminum, for instance) are reviving. At \$29 a barrel (and, we hope, the dollar rate below Fr 7), EDF and GDF should save Fr 400 million and Fr 800 million respectively. In these circumstances we may hope that the gross margin of self-financing--outside of subsidies--of the public sector will climb from its unprecedented 1982 low (11 billion) to around Fr 22 billion. Of course this is still far from the Fr 39 billion of 1980 (and that was a mediocre result), and also far from the necessity of redemptions that we may estimate at Fr 50 billion for 1984. It is certainly not a good sign that internal resources assume only a little more than a third of redemptions.

At closer scrutiny our public sector resembles a piece of Gruyere, full of little and some big holes. From the cheese aspect we must put in first place the still glittering General Directorate of Telecommunications (see table), the management agency for the telephone service. While it no longer pulls Fr 7-8 billion profits as at the beginning of the 1980's, it does remain very profitable indeed. As it pays no duties--being an administrative agency--, the state will in future charge it a routine tax of Fr 2 billion per annum for the benefit of the budget. Of course these good results are obtained at the expense of the consumers as well as the

suppliers...who are now nationalized also. What a wonderful topic for a conference of lovers of chain reactions...

Others among the ranks of public enterprises offering no surprises are Saint Gobain and CGE (for the time being...), Air Inter, SEITA (relieved of some Fr 300 million excess costs caused by payments to its retirees), SNIAS that still has surplus cash in hand, and Air France that is not coming off too badly in the squalls caused by the deregulation of international air fares and the structural hemorrhage of which (Concorde) is beginning to scar over. So we have at least 7 among 22 firms that do not keep our officials from sleeping soundly.

The Weight of the Debts (percentage of net financial charges in relation to turnover)

SEITA	0.8 percent
CGE	0.8 percent
Compagnie Generale Maritime	2.5 percent
Thomson	3.0 percent
Saint Gobain	3.8 percent ⁽¹⁾
Air France	4.1 percent
Entreprise Miniere et Chimique	4.4 percent
Rhone-Poulenc	5.6 percent
PUK /Pechiney-Ugine-Kuhlmann Company/	6.0 percent
Gaz de France	6.3 percent
Sacilor	8.2 percent
Charbonnages de France	8.4 percent
CII-Honeywell-Bull	9.0 percent
Usinor	10.6 percent ⁽²⁾
RATP	13.9 percent
SNCF	14.2 percent
Direction Generale des Telecommunications	19.2 percent ⁽³⁾
EDF	22.5 percent

(1) Including leasing charges

(2) Equating the balance subsidy to a receipt

(3) Taking into account Fr 2 billion in provisions for losses caused by the exchange rate

The dramatic level of debts of most public sector enterprises obliges them to raise their rates, in other words to fuel inflation.

The Large Holes of Our Public Gruyere

Now to the holes. Some are considerable when measured by the operating standards of the firms concerned but not by those of the French economy as a whole. Let us consider the Compagnie Generale Maritime (CGM), the standard bearer of our merchant fleet: In the 4 years from 1978-1981, the CGM received Fr 200 million in operating subsidies and Fr 1.4 billion in stockholders' equity. Even if the firm's situation should remain critical, the taxpayer will not suffer undue hardship thereby! The same applies to the Entreprise Miniere et Chimique (fertilizer producer) or the Regie Renault (never subsidized but this year provided with Fr 1.6 billion in stockholders' equity). Among the newly nationalized firms (see L'EXPANSION, 4 March 1983),

we may hope that, relieved of its chemical and iron and steel appendices and, at the same time, benefiting from the rise in aluminum prices and the preferential rates offered it by EDF, Pechiney will sooner or later get its head above water; also that Thomson-Brandt with its balance sheet cleaned up and no longer in need of Fr 3 billion to buy up Grundig, will resume profitable operations.

Another less dramatic case not reflected in the results: GDF. Far more than the permission to raise prices (though the rises have been on the order of 30.5 percent in 1981 and 20.8 percent in 1982), its greatest problem is the franc-dollar rate: The downturn in the dollar rate in the last 4 months of 1982 was enough to reduce its balance sheet loss from Fr 4 billion (budgeted) to Fr 2.5 billion. Some freedom to set rates (and the return to a more "normal" exchange rate of the American currency) would restore to an operating equilibrium an enterprise that cost the taxpayers nothing for many years but which is beginning now to be affected by its excessive debts.

Operating losses and, most of all, the insufficiency of stockholders' equity are the two evils that cause the large holes in our public cheese. How is that situation to be remedied? Elementary: By reconstituting the capital of these firms and allowing them to charge realistic prices. That is easily said but hard to do. Two examples will serve to demonstrate this truth. To get rid of one stroke of the RATP's losses (Fr 4.5 billion in 1982), the price of subway tickets would have to be raised from Fr 2.20 to Fr 4. No government would dare. Another example, this time relating to debts: If, without touching the rate structure, we wished to restore the EDF's ratio of financial charges to turnover from 25 percent (the 1983 level) to 5 percent, it would be necessary at a single stroke to provide it with more than Fr 200 billion capital. Where is that amount to come from?

The Year of Losses (1982 profit margins)

Direction Generale des Telecommunications	5.6 percent
Air Inter	1.0 percent
CGE	1.0 percent ⁽¹⁾
SEITA	0.9 percent
Snias	0.5 percent
Saint Gobain	- 0.1 percent
Rhone-Poulenc	- 1.2 percent
Entreprise Miniere et Chimique	- 2.0 percent
Renault	- 2.0 percent
Air France	- 3.6 percent
Thomson	- 4.0 percent
Gaz de France	- 7.0 percent
PUK	- 7.5 percent
EDF	- 9.0 percent
Compagnie Generale Maritime	- 10.0 percent
Usinor	- 13.5 percent
Sacilor	- 16.0 percent
CII-Honeywell-Bull	- 17.0 percent
Charbonnages de France	
-- before operating subsidy	- 24.0 percent ⁽¹⁾
-- after operating subsidy	- 4.4 percent

/Table continued on following page7

SNCF

-- before operating subsidy	- 24.0 percent
-- after operating subsidy	- 12.0 percent

RATP

-- before operating subsidy	-116.0 percent
-- after operating subsidy	2.6 percent

(1) After deducting unwarranted charges (pensions)

The new nationalized firms come off no better than the old ones among the enterprises in deficit. Admittedly, their balance sheets were "cleaned up" in 1982.

EDF--A French Mexico?

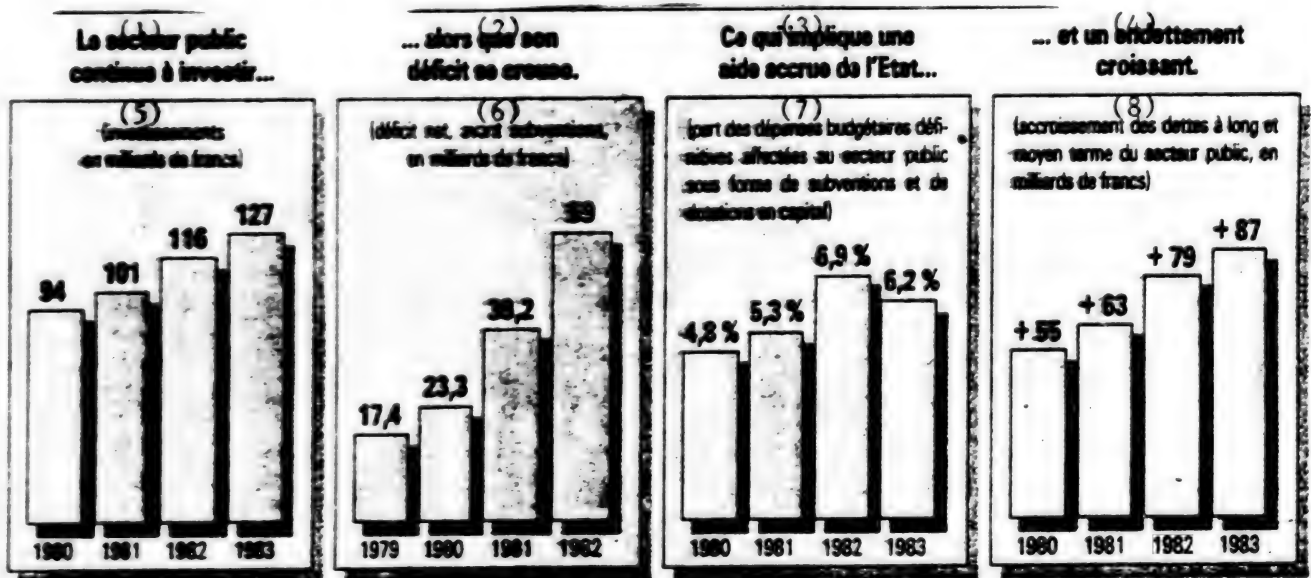
We thus see how imperative it is to handle the great simple principles with discretion. Let us take a look at the Charbonnages de France: Fr 7.5 billion subsidies in 1983 coupled with a management that never had the reputation of being very tight (last year losses exceeded Fr 1 billion). Actually half the subsidies granted the Charbonnages covers extra pensions that would need to be paid even if the firm were to disappear. The other half is in compensation of the difference between the cost price of domestic coal (from even to double) and imported coal; this course permits the extraction of "national" coal, and it appears justified when we consider that, in terms of the balance of trade, imported coal is twice as cheap as heavy fuel. In short, from the macroeconomic standpoint this is not a bad deal. The fact remains that the continuing operation of some mines at a considerable loss (Carmaux, for example) has just about reached the limit of what is reasonable. The two other problems specific to the Charbonnages are their excessive debts (though they are 10 times less than those of EDF) and the disastrous operating results of their CDF-Chimie subsidiary.

The latter's selling prices are subject to the law of the market place; its profitability cannot be restored without a capitalist-type solution, that is capacity reduction and lay-offs. The same therapy seems indicated for two newly nationalized firms, Usinor and Sacilor (recording Fr 8 billion in losses and Fr 4.5 billion in financial charges between them in 1982..and they are not through yet). In cases like these any rejection of surgical intervention involves new capital contributions. This year our two iron and steel companies will already swallow 25 percent of public sector capital appropriations, though they represent only 5 percent of its turnover. That is a lot for the first link in the chain...

Still, from the simple aspect of their size--and the imbalances that creates--the two most troublesome records are those of EDF and SNCF. EDF alone represents a third of all public sector investments, 40 percent of its long and medium-term debts but only an eighth of its losses before subsidies. The problem represented by the No 1 of the public sector is therefore not that of its operating deficit: With an 8 percent rise in rates in 1 April and a 5 percent rise on 1 September plus an alignment on the general price hike in 1984, its accounts will be in balance at the end of next year. If these rates had been in line with the average charged in Europe (a simple theoretical assumption), EDF would in fact have recorded a Fr 16 billion surplus in 1982 (instead of a Fr 7.9 billion deficit). Actually the cost of subsidizing EDF is not all that great: Fr 3 billion in 1979-1981 in the form of an

exemption from interest payments on FDES loans. And what about the state's secret guarantee against the exchange risks of EDF's borrowing abroad? The 1982 balance sheet makes provision for this (Fr 2 billion). Actually the only problem is that of EDF's immense debts and the unrelenting forward march of its financial charges; this gives rise to a steady increase in rates at a time when France ought to be able to enjoy the fruits of the growth of nuclear power. Moreover, EDF's devouring need for capital is such that it embarrasses other borrowers on the domestic market while also strongly contributing to the growth of our external debt. That is the price of the great nuclear policy financed by 10-year loans at 15 percent interest. If the annual inflation of French prices should ever need to drop to 5 percent, it would be necessary to grant EDF a moratorium. In short, a French Mexico--and of course at taxpayers' expense.

The Dilemma of the Public Sector



Key:

1. The public sector continues to invest...
2. While its deficit is rising.
3. This implies increased state aid...
4. And growing debts
5. (Investments in billion franc)
6. (Net deficit, before subsidies, in billion franc)
7. (The part of budgeted spending definitely assigned to the public sector as subsidies and capital appropriations)
8. (Growth of long and medium-term public sector debts, in billion franc)

The wish to make the rather unprofitable public sector the driving force of productive investment increases its stranglehold on the state budget and the financial market. This is how our productive apparatus is progressively becoming "state controlled."

Freight Transport--A Yawning Chasm

We are now left with the thorn that causes the greatest pain (especially because we are attached to it): The SNCF. A real tragedy. Here we have an enterprise with an operating deficit before subsidies of Fr 19.5 billion in 1982, probably on the order of Fr 25 billion this year--in other words half of its turnover and half of the public sector's entire deficit! If we take into account also the 10 billion subsidies to railroad pensioners, the SNCF will cost the public Fr 30 billion this year alone. This represents Fr 2,000 per taxpayer, enough to pay a second class railway ticket all around France for everyone. At that price we are of course entitled to well maintained trains that arrive punctually, and we may flatter ourselves to have successfully launched very high-speed trains. Moreover, it is certainly necessary to subsidize the commuter network and secondary routes that operate at a loss. Still, in addition to these necessities of public service, a yawning chasm has opened up in the past 2 years--freight traffic: 8 billion in the hole in 1982, although in 1980 freight traffic still paid its way. How are we to arrest that bloodletting? Raising freight rates would merely make matters worse. Moreover, the SNCF's operating deficit will in future be kept going by the advance of its financial charges: Fr 3.2 billion in 1981, 6.1 billion in 1982. That is better than the situation of the EDF; however, we cannot expect to get a supplementary income either (as the one EDF derives from nuclear power plants) to counter the inevitable advance in costs.

The SNCF case is exemplary in more than one respect. Here we have an enterprise that represents 5 percent of public sector activity but will receive 40 percent of public handouts in 1983. Some will think that this largesse could be better employed somewhere else...Moreover, here is an enterprise to which it is impossible to apply a simple therapy such as charges in accordance with the market price or debt repudiation. To put it back on track we would have to use the entire spectrum of surgical procedures. Lastely we have here an enterprise subordinated to a minister who is the former assistant secretary of the Communist Party. The treatment applied to it--and the urgency of intervention appears obvious--will tell us whether or not we may reckon with "another logic" to extricate us from this financial predicament.

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EXPORT POLICY TOWARD, TRADE DEFICIT WITH SOUTH AFRICA

Paris LES ECHOS in French 11 Apr 83 p 4

[Commentary by J-M L: "From Rugby to Major Contracts"]

[Text] Sales continue while apartheid prevails. This is the unwritten rule that governs South Africa's trade with her industrial partners. The black African countries themselves are concerned about this point only from an official standpoint. Also, the customary course of French-South African relations did not change with the coming of a new majority in May-June 1981.

On the one hand, arms sales had reached a dead end in 1977. On the other hand, the decrease noted in trade between the two partners is only the side effect of economic stagnation in Pretoria. France still remains the fifth partner, coming after the United States, the FRG, Great Britain and Japan. Also, the declarations of the Socialist Party against the Pretoria regime have remained meaningless. Mr Lionel Jospin, first secretary, defends the position of his party as follows: "Economic pressures must be carefully chosen for fear of losing all credibility. Precise objectives compatible with economic constraints of the moment must be determined."

Hence the prohibition on the French rugby players to pit themselves against the Springboks. This is a form of boycott strategy that does not involve professional sportsmen (for example, Renault Formula 1 drivers) and one that is far from having governmental unanimity. It has been asked whether this is the best way to warn Pretoria about the Namibian question. Hence talk about false maneuvers....

In the meantime, after showing a 414 million franc surplus in 1981 (the first positive balance since 1976-1977), the trade balance between the two countries once again showed a 628 million franc deficit in 1982. French exports dropped by 28 percent (4.2 million francs compared to 5.8 million in 1981) while imports dropped by 11 percent (4.8 million francs as compared to 5.4 million in 1981).

The French decline is explained by the deliveries of equipment meant for the fulfillment of major contracts, particularly the Koeberg nuclear electric power plant (1 billion rands). No other contract has recently been signed.

South Africa's purchase of two Airbus aircraft last year minimized the deficit but the trade imbalance continues to grow. How can this situation be remedied? A French diplomat in Johannesburg assured AFP, "As in the past, we are seeking to develop our sales and we are now making other bids."

It is to be recalled that Renault has invested some 40 million dollars to get the R-9 off the ground in South Africa, coming on the heels of the R-5. The first R-9 models will come out in June. Between now and December, 7,000 R-9's should be put on the market.

Another sensitive case is the construction of a second nuclear power plant. A FRAMATOME [Franco-American Atomic Construction] spokesman has said, "If France wants to play the game politically, she has a good chance of getting this contract that is still hypothetical and very much coveted by the Americans."

For those circles close to the French-South African Chamber of Commerce, the rebalancing of trade depends above all on the success of the French PME [Small and Medium-Size Businesses], either directly or with the aid of technology transfers. Nevertheless, it is felt in Johannesburg, a "pinprick" policy by France will put off Pretoria, who could then turn to other suppliers.

5671

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NATURE OF INFLATION SAID TO HINDER DEVALUATION BENEFITS

Paris L'EXPANSION in French 22 Apr-5 May 83 pp 139, 141, 143

/Article by Jean Denizet: "Failed Devaluations: Why?"

/Text/ The nature of inflation in France is compromising everything. First of all it compromises the success of the devaluation. On the other hand, by letting devaluation to correct merely a bigger part of the external deficit, the conquest of inflation would allow the easing of the accompanying plan: Consequently less severity toward the underprivileged and more incentives for industrial renewal. In short, to greatly and very rapidly reduce inflation is the first condition for not having the third phase of the Mauroy Government's economic policy end in failure. In addition, taking into account the nature of inflation in France, this is also a task particularly well suited to a government of the left. Unfortunately the government is not using its opportunities.

Let us try simply to demonstrate two propositions:

No devaluation can possibly succeed given the nature of French inflation. That is the main reason for the failure of the first two devaluations (the other reason being the constraints of SME /European Currency System/ membership).

The so-called accompanying plan cannot do anything about inflation as it has shown itself in France for the past 15 years. It may at best compensate some of the adverse effects exerted by devaluation on foreign trade.

Nevertheless we must learn the lesson of the two previous devaluations' failure. In the 3 months preceding the operation of October 1981, the foreign trade deficit amounted to an average of Fr 3.9 billion per month; it had risen to Fr 5.9 billion per month in March, April and May 1982, that is at the end of the so-called perverse period. These 5.9 billion turned into 7.8 billion in December, January and February, that is at the end of the so-called perverse period of the June 1982 devaluation.

In today's France devaluation operates to the opposite effect of the one expected. Why?

As regards imports, we must distinguish between two kinds of foreign exporters. The first, suppliers of oil, raw materials and preprocessed products have no margin left allowing them to narrow it further in order to try and sell on the French market at the price prior to devaluation or a price definitely lower than the one consequent

upon the new exchange rate. They therefore raise their prices in French francs in the amount of the devaluation. Given the French system of rapid price indexing consonant with costs, this is translated into a rise in domestic prices. That in turn triggers an increase in salaries because these are indexed to prices. There follows a new round of price rises, and that again brings about new wage increases. As a result the difference between the prices of French and imported products tends to be obliterated, although this difference needs to be created for devaluation to be efficacious. The inflation of domestic prices soon catches up with the inflation of the prices of imports. The more an economy is open, the more it is indexed, the faster indexation proceeds, and the faster also depreciation vis-a-vis the dollar follows devaluation vis-a-vis the mark, and the less effective is devaluation. Unfortunately all four conditions are united in France. True, at the end of 4-5 months we note a shrinkage of imports in terms of value, but this does not last given the rise in domestic prices.

Now the second battalion of exporters to France appears on the stage--our European partners. They, for their turn, boast comfortable margins that they proceed to squeeze to the utmost on the morrow of devaluation so as to maintain their sales volumes in France. As the other component of imports pushes prices upward, they follow suit.

The volume of imports does not diminish (from the first because they are more or less indispensable, from the second because their prices align themselves to French prices); import prices climb: In short the devaluation fails within about 8-9 months.

From the aspect of exports the situation is even more serious: The vast majority of French exporters seem to have given up trying to profit from the devaluation by lowering their prices in terms of foreign exchange (or francs for those who invoice in francs), having given up at the same time any attempt at enlarging their share of the market. Here again we must blame the nature of French inflation, at least in part: The rise in French domestic prices is so quick that exporters are led to maintain their prices abroad and keep for themselves the benefits of devaluation so as to compensate the rise in their costs. In part they also seem to fear that the quality of their products does not permit them to compete with their German or Japanese rivals, even at lower prices.

1982 demonstrated the failure of the two devaluations all too well. Import prices rose by 12.6 percent--a little less than the average for the year of the two devaluations--, and import volume by 3.5 percent (+ 16.5 percent in terms of value). Exports rose by 14.2 percent in terms of price and diminished by 2.9 percent in terms of volume (+ 10.8 percent in terms of value). A failure that has nothing to do with the temporary operation of the so-called perverse effect.

In former times, let us say before the 1970's, the plans accompanying a devaluation were designed to restrain the inflationary trend resulting from devaluation and liable in the long run to cancel its effect. However, at that time the inflationary trend was weak. Devaluation increased it only slightly. Moreover, that inflation still responded to the decline in overall demand; the economy was slowed down a little, and that was enough.

The situation is quite different now: The underlying inflationary trend remains strong in France. It does not at all result from excess demand. A net deflation of activity as envisaged by the plan of 25 March has not the slightest chance of affecting it.

Let us repeat for the umpteenth time in these columns that French inflation results from the operation of cross indexations that presides over the redistribution of added value or national income: On the one hand indexation of profits (and, consequently, prices) by costs--unit wage costs, unit import costs, interest charges; on the other hand wage indexation and interest rates on prices.

This mechanism is easily explained by the mistrust between the social partners at the time of collective negotiations; neither wants to be the first to abandon the benefits of indexation because they protect the respective clients. Only the public authorities would be able to explain, persuade and arbitrate. But they refuse, on principle, to intervene in the discussion. Nothing is more sacrosanct than the principle of free collective negotiation--and on that issue all governments, whether of the right or the left, demonstrate a perfect continuity of views. As long as this state of affairs lasts, crucial decisions will continue to be taken in the same way; all will perpetuate and aggravate inflation (except for times of freeze). As everything depends on inflation, today more than yesterday, collective negotiation without government intervention means the end of France as an independent economic power.

Powerless to act on inflation, will the accompanying plan at least be able to reduce the external deficit? It may, provided it manages to get domestic demand to decline sharply. But, imposed in isolation from the real discussion--on the level and distribution of real income--it risks to see the slippage of salaries compensated and, beyond that, the fiscal puncturing. It is a bad mistake to separately deal with the wage and fiscal aspects of the income of the French!

In the second place, the devaluation--believed to be an internal SME operation--has ended up by bringing about a supplementary depreciation of the franc relative to the dollar. Of course this could easily have been foreseen. The FRG engaged in a test of strength with the United States regarding the dollar/mark rate of exchange. Though the rate is heavily overvalued for the dollar (undervalued for the mark), the German authorities are resisting American pressure for a revaluation of the mark (the United States is calling for a rate of DM 2.20 to the dollar, roughly the economic parity; the Bundesbank holds fast to DM 2.42). Consequently it was arithmetically obvious that the franc would have to be devalued against the dollar exactly as against the mark. For France this is the worst of all possible situations. At the present moment we import to the value of Fr 800 billion: 40 percent or Fr 320 billion must be paid in dollars. An 8 percent rise in the dollar rate vis-a-vis the franc therefore raises our import costs by Fr 25 billion. And yet the government expects its accompanying plan to reduce our import prices by precisely that amount. If everything goes well, the plan will do no more than compensate the effects of the devaluation. There is still time...Yes, it is time to deal with the basic necessity: The great national negotiation at which the government would have to be constantly present, explaining, proposing, persuading, arbitrating. Its language would have to be kept plain: "Either we come to an agreement on the desirable level of real incomes and their distribution without inflation, nominal wages and prices coinciding with real wages and prices, or all is lost. It is up to everybody to face his responsibilities, to accept or refuse."

ELECTRONIC COMPONENTS INDUSTRY SHOWS DECLINING TRADE BALANCE

Paris LES ECHOS in French 22 Apr 83 p 7

[Article by V L]

[Text] Exhausted: The French electronics components industry has hit a slump. Following a bad 1981, 1982 was a very bad year. The 12 percent rise in business turnover to 13.3 billion francs was not enough over the past 2 years to keep up with the rate of inflation.

The French electronic components industry is sending out an SOS at the very moment when, coming after the repurchase of Eurotechnique, the industry regrouped under two components, namely Thomson and Matra. The annual report drawn up by the labor union is quite gloomy: too heavy expenditures, too high production costs, stiff competition from countries with low wages, as well as reduction in profit margins that has become a troublesome situation.

All the more so since 1982 was marked by a special economic state of affairs: depression of the economy of France's principal partners, such as the FRG, and, on the other hand, revival of the economy on the domestic market, resulting in a deterioration of the components industry's balance of trade, following the general trend of the national industry.

There was a leveling off of exports, showing a rise of only 4 percent, and a marked skyrocketing of imports (plus 21 percent); The coverage rate at the end of 1982 was only 77 as compared with 90 in 1981.

Only electronic tubes came out all right with a slight improvement in the situation, while integrated circuits, semi-conductors and inert components inexorably lost ground. Mr Jacques Bouyer, president of SITELECS [expansion unknown], storms, "The situation vis-a-vis Japan has become intolerable." He cited the example of semi-conductors where France gained profits of up to 208 percent in 1977, this figure crashing to....19 percent during the first 6 months of 1982. "The time to get a hold of some prototypes." In other words, to profitably copy them and subsequently be able to stop all foreign purchases.

"We have signed an agreement with Japan on color tubes. It is a beginning and we are slowly making progress. We must continue in this direction."

For 1983, Mr Jacques Bouyer appears quite decided to fight inasmuch as the results of the first quarter are encouraging and show a strong growth rate for activated components, both on the domestic market as well as for export.

5671

CSO: 3519/463

BRIEFS

PHILIPS-CGE AGREEMENT--It was learned Thursday from the Dutch firm Philips in Eindhoven that the CGE [General Electricity Company] is scheduled to equip the high tensions electric power networks now being installed--and which can also serve as a telephone communications network--with electronic telephone exchanges. The Dutch firm also announced on Thursday that an agreement was signed with CGE Alsthom in this connection. A first order for telephone exchanges amounting to 2.6 million francs has been placed. These exchanges are for a network to be built in the Far East. Philips also specified that the on-the-spot installation of and maintenance work on these exchanges will be assured by CGE personnel. [Text] [Paris LES ECHOS in French 25 Apr 83 p 10] 5671

CSO: 3519/463

CENTRAL BANK CHIEF DISCUSSES ECONOMIC PROBLEMS

Reykjavik MORGUNBLADID in Icelandic 4 May 83 p 20

/Editorial: "Harsh Judgement on Downgrading?/"

/Text/ Dr Johannes Nordal, Icelandic Central Bank chief, said at the annual meeting of the bank on Monday that political conditions have resulted in no effort being made to respond to the dangerous situation in the Icelandic economy of recent months but that now everyone expects that conditions for a more successful intervention will soon come into being. Public opinion has it that if success in creating new political conditions is achieved in those discussions on a new government that are now taking place, there is hope of success in managing the economy and that the problem is, to a considerable degree, subject to human influence.

Johannes Nordal was speaking of politicians when he said, among other things: "The experience of past years has shown that a primary weakness of economic management in Iceland has been a lack of coordinated measures in individual economic sectors, because emphasis has been placed on achieving expedient goals without adequate consideration of the effects of what is being done on other areas of the national economy. Thus in 1981 great emphasis was placed on reducing price increases with measures which also diminished income possibilities for employment and increased the foreign trade deficit. Later effort was made adjust this and improve Iceland's competitive position and trade balance with measures which have led to terrible inflation. Likewise, in neither 1981 nor 1982 was there sufficient emphasis on efforts to increase the availability of domestic capital through temporary changes in interest terms, and financing to maintain investments and employment as sought instead of foreign loan markets. It is clear that the only solutions to the deep problems that we must now solve will be in a coordinated policy which will deal with all these areas."

In these words, Nordal has summed up cogently the tale of disasters of the government now leaving office. Nordal's statement shows in no uncertain terms why the Progressives should by no means hold up the year 1981 for imitation since their index downgrading policy dominated during that year. In another part of his speech Dr Johannes Nordal made special reference to economic developments in 1981. He recalled the games played with the indexing systems and with purchasing power and said that a policy of restraint

in monetary matters and strict price controls would have contributed most to reducing inflation but that, at the same time, high demand and employment were maintained with large foreign loans and credit increases. The Central Bank chief said: "When things began to collapse during the last half of the year the contradictions of this economic policy began to become apparent. Worsening employment income on account of unpragmatic foreign exchange and price restraints undermined the income of companies and increased the demand for credit. The increasing difficulty of the krona and distrust in the continuation of that exchange policy have since resulted in increased demands for imports and have resulted in a growing foreign trade deficit."

The need now, nonetheless, is to fix by law this hopeless downgrading policy of several years, as the Progressives have demanded.

9857

CSO: 3626/34

PAPER DISCUSSES BACKGROUND TO PRESENT ECONOMIC PROBLEMS

Reykjavik MORGUNBLADID in Icelandic 1 May 83 p 24

/Editorial: "Job Security, a Necessity for Life"/

/Text/ Those times are long past in Iceland's history when Icelanders suffered from utter destitution. It is estimated that around 9,000 died in Iceland during the 1783-1785 era of hard times, or around one-fifth of the total population since the population of Iceland was calculated at less than 50,000 at that time. Between 10,000 and 15,000 Icelanders migrated to North America during the second half of the 19th century. There have also been difficulties recently that are still today stamped on the memory of the people, for example, the winter of unemployment and tight times of the 1940s.

Two things in particular have brought about the radical change from poverty to well-being that we have witnessed since the end of the Second World War. One thing has been an increase in the education and ability of the people. The other has been the technological development that has taken place and has led to a major increase in productivity in the main national occupations: fishing, farming and industry.

Education, ability and rapid technological development have been the weapons of the people's struggle for existence and these weapons have allowed the people to increase national income to such a degree, that they are able, for the short term at least, to enjoy living conditions and social and individual consumption to which we have become accustomed these last months. However, as a nation, we have lived in part at foreign expense.

The lion's share of the increased national income was gained from ever more sophisticated fishing ships, very greatly increased catches and a developed fishing industry and a marketing position in foreign markets that was based upon reflection and foresight. Technological development and mechanization in fishing, agriculture and processing have been such that we are producing more and more with less and less expenditure of labor.

Icelandic labor unions have, to be sure, made their contributions to the equalization of income, to wage developments and to the improve living conditions of the common man that have come into being in past decades. It was, however, technological development and the increased value in the national economy that made the wage improvements possible. Thus the average

growth of the gross national product was 4.5 percent annually for the period 1950-1980. However, the prospects now are that there will be some decrease in national income, due, among other things, to the path we have chosen in Icelandic employment and the delays in building up our energy market and energy industry.

The technological revolution that has brought the Icelandic people from poverty to prosperity can turn out to be a two-sided weapon if one is not careful about how it is applied. Thus, there are many indications that we have--among other things through technology--not only fully exploited but even overexploited some of the most important Icelandic commercial fish. This has come about in spite of the extension of Icelandic fisheries jurisdiction and the closing of the Icelandic fishing banks for foreign fishing fleets. The herring banks, which have been one of the strongest income sources for Iceland, have collapsed. The same thing has happened with the capelin banks, which have been fished with more obstinacy than foresight. Now many fear for the cod banks, and with good reason.

In 1980 the Icelandic labor force, that is, persons aged 15-74, numbered 157,000. In 1990 the figure will be 179,000, or 14.2 percent or 22,000 more, according to the Projections Department of the State Investment Institute. That age cohort which is the most important in the work force, i.e. those persons aged 25-59 years, will grow proportionately than the rest of the population, much more or from 91,000 to 112,300. It is stated in a section of the annual report of the Investment Institute that the "total number of new employment opportunities that will have to be created during the period 1980-1990 is thus in the vicinity of 25,000 to 34,000.

The Labor force, however, is not the only age group that is increasing. Life expectancy has also increased and the number of those wage earners retired from work will grow each year. That will, in a short time, bring about those changes among the people that results from a changing age structure.

On 1 May, the workers' holiday, three things must be foremost in our minds:

- 1) How can we protect the living conditions that we enjoy now in view of the present condition of the Icelandic economy?
- 2) How can we build up Icelandic employment to such a degree that we may guarantee job security to some degree or the other in the future, in spite of a growing Icelandic labor force in the coming years, and likewise that the increase in the national income will support improved living standards?
- 3) How may we compensate for the growing number of retiring wage earners to respond to the circumstances resulting from this change? The labor movement has tasks to perform in this regard.

The most important thing is to increase value creation in the national economy, those sources of national income that can sustain our standard of living from the cradle to grave. First and foremost, we will have to guarantee that the fundamental national occupations flourish and grow, something that will involve, above all, bringing down inflation. Likewise,

a new foundation must be laid down to support our standard of living and the economic independence of the Icelandic people. Primary areas of emphasis will have to be the energy industry and fish breeding, which have a great deal of potential, if managed properly. All workers have a common interest in these primary goals.

MORGUNBLADID congratulates Icelandic workers on their holiday.

9857

CSO: 3626/34

PAPER COMMENTS ON ICELANDERS SEEKING WORK IN SWEDEN

Reykjavik MORGUNBLADID in Icelandic 5 May 83 p 24

/Editorial: "Employment Prospects at Home and Abroad"/

/Text/ "I can't caution people enough about coming here," that is to Sweden, "to look for a job. People can only obtain unemployment compensation in the trade unions and only those with jobs can enter the trade unions. The result is that they can't get it." These are the words of Thorsteinn Love, who lives in Malmo, in a news report to MORGUNBLADID. Accompanying the news report was a clipping from the SYDSVENSKA DAGBLADED reporting on unemployment in Malmo and the fact that 175 families leave there every month on account of the employment situation.

It is calculated that 8,000-10,000 Icelanders are now studying or working in Scandinavia and that there are no fewer than 15,000 abroad. In view of the general employment situation abroad, not the least in Scandinavia, it should definitely be expected that these persons will be retiring to Iceland in growing numbers. That is something to rejoice about even if the decline in employment in neighboring countries is nothing to be glad about.

If it turns out that a large portion of the Icelanders having business abroad return home, how will the Icelandic nation as a whole be able to take them in, that is, in terms of employment and housing. Icelandic employment is in difficulty. The prospects are for 100 percent inflation, which will create real barriers for a number of enterprises in terms of future operations if something is not done quickly. The housing crisis has had an impact as a result of inflationary developments and turmoil in the housing loan system.

Prospects are that 25,000-30,000 new jobs will be needed in Iceland during the years 1980-1990 to meet the employment needs of those who will be added to the Icelandic labor market. Fisheries, with fully exploited fishing banks, and agriculture, with a satiated market, will hardly be able to meet the employment needs of this new labor force. What is absolutely needed are new bases for Icelandic employment and income, if either job security or tolerable living conditions are to be guaranteed. Hopes are especially great for the energy industry and for fish breeding. The energy industry, however, has been badly treated by the minister of industries of the government now leaving office.

It is most important in the minds of young Icelanders desiring Icelandic prosperity for the foreseeable future that operating and growth potentialities for traditional Icelandic occupations be guaranteed at the same time that the potentialities of domestic energy resources are used to a much greater extent. It is not only the Icelanders who have worked abroad who are making demands for jobs and housing in their homeland; there are also thousands upon thousands of young people who will enter the Icelandic labor market in the next months and years.

9857

CSO: 3626/34

ICELANDERS SEEKING WORK IN SWEDEN EXPERIENCE PROBLEMS

Reykjavik MORGUNBLADID in Icelandic 5 May 83 p 48

/Interview with George Franklinsson, chairman of the Icelanders Association:
"People Are in Fact Completely at Wits End"/

/Text/ "The situation here in Malmo is that Icelanders have decreased greatly in numbers in only 2 years and, to be sure, unemployment has played a major role in brining this about," said Georg Franklinsson, chairman of the Icelanders Association in Malmo, when MORGUNBLADID spoke with him yesterday.

Georg Franklinsson said that there were 417 Icelanders resident in Malmo at the beginning of 1981 but only 267 today, a decrease of 150 in only 2 years. The decrease is almost entirely due to unemployment.

"I don't think that one job category has been any worse than another; it is rather a matter of general unemployment. Opportunities have decreased with each passing year."

According to Franklinsson, unemployment figures issued in Sweden are not to be trusted completely since the unemployed have the choice of taking various kinds of courses while unemployed. While such persons are taking the courses, they are not listed as unemployed.

Franklinsson said that in spite of the courses many Icelanders have decided to return home and still more would return home if there was not as much of a housing shortage as there in fact is. "Some people are in fact completely at wits end here. They have no jobs and cannot return to Iceland due to the housing shortage," said Georg Franklinsson.

Icelanders in Sweden have decreased sharply in the last 2 years, as the figures show. Two years ago there were 3,900 Icelanders listed as being in Sweden. The figure for the beginning of this year was only 3,300 and is still falling. More precisely, one Icelandic returns home each day.

9857

CSO: 3626/34

BRIEFS

WORK HOURS INCREASING--The work week of workers in the Icelandic capital region has been increasing in recent months, according to facts contained in a news release of the Wage Research Committee. The work week of industrial workers, however, has decreased. It is stated in the new release that the average work week for laborers of the capital region during the 3rd quarter of 1982 was 53.8 hours, compared with 49.8 hours during the 1st quarter of 1979, or an increase of 4 hours. For women laborers, the average work week was 43.8 hours for the 3rd quarter of 1982, compared with 43.8 hours during the 1st quarter of 1979, a 1 hour a week increase. The average work week for industrial workers was 49.4 hours during the 3rd quarter of 1982, compared with 49.6 hours during the 1st quarter of 1979, or a decrease of 0.2 hours. In terms of a weighted average for all groups, the average work week for the 3rd quarter of 1982 was 50.7 hours, compared with 48.7 hours in the 1st quarter of 1979. This means a work week 2 hours longer. [Text] [Reykjavik MORGUNBLADID in Icelandic 5 May 83 p 48] 9857

CSO: 3626/34

CENTRAL BANK 'SWAPS' GOLD FOR DOLLARS

Lisbon DIARIO DE LISBOA in Portuguese 3 May 83 p 11

[Text] An official source is being quoted by the ANOP [Portuguese News Agency] as saying that the Bank of Portugal negotiated a swap transaction with the Bank for International Settlements [BIS] totaling \$400 million (about 40 billion escudos).

This swap transaction consists of having the Portuguese central bank receive \$400 million when it deposits gold valued at this amount with the BIS. This gold will be recovered by the central bank when the sum is paid back.

When contacted, an official source stressed that this is not a matter of mortgaging the gold reserves, nor is it even a gold guarantee transaction, which has different legal formalities.

This transaction is of significant importance because it involves a small part of the central bank's 688 ton gold reserve and because it has an out of the ordinary aspect to it: it is the largest transaction between the Bank of Portugal and the BIS in recent years.

The Bank for International Settlements, which functions as a central bank for central banks, deals with the Bank of Portugal frequently.

It has been common for the Bank of Portugal to obtain short-term loans of up to \$200 million from the BIS, without involving the use of gold, to offset occasional difficulties faced by the treasury.

The source contacted by ANOP said these \$400 million are for liquidity support in making short-term payments.

This week's THE ECONOMIST, a British magazine, reports on this transaction in a short three-line item.

9935

CSO: 3542/122

INCREASED PESSIMISM PRODUCES VICIOUS CIRCLE

Lisbon A TARDE in Portuguese 26 Apr 83 p 5

[Text] The main negative factors of the Portuguese economy are the difficulties in the current accounts balance and the prevalent pessimism among the economic agents. Also, inflation cannot be maintained at current levels indefinitely.

Despite the recessionary period Portugal's main trading partners are going through, they have absorbed imports of goods and services at a growing rate. According to a report in the latest SUMMARY OF CURRENT CONDITIONS published by the BPA, this, together with the Portuguese foreign exchange policy of supporting exports, allowed Portugal to increase its sales abroad by approximately 4 percent.

This increase in volume was not accompanied by an increase in dollar denominated earnings. These fell by 3 percent. This must be due to the unfavorable changes in the escudo's exchange rate in relation to the dollar and to the growing practice of under billing imports (because of a distinct preference for foreign currency denominated assets) that has been prevalent recently.

Furthermore, there was a 4.5 percent increase in the volume of imports in 1982 due to growth in domestic demand. In addition, there was a sharp downturn of about 10 percent in emigrant remittances, a sharp decrease of about 17.6 percent in earnings from tourism (due in part to an underestimation of these earnings), and the interest on the public debt worsened.

It can be easily seen in these negative changes that the current accounts balance deteriorated significantly. The current accounts deficit is estimated at \$3.2 billion for 1982.

This imbalance will have to be covered by increasing our foreign debt which, at the end of last year, was around \$13 billion.

By doing some quick figuring and putting the dollar at 100 escudos, we see that each Portuguese owes 130 contos to foreign countries. Notice that the foreign debt covers the current accounts deficits. In this manner an attempt

is made to stabilize liquid assets concerning foreign countries at \$6 billion--when gold is valued at market prices.

Inflation Goes Up

The slight deterioration in real disposable income was a disagreeable fact for a large number of Portuguese. This was the result of an acceleration in inflation which was not compensated by nominal wages and the already noted decrease in emigrant remittances.

Thus, while nominal wages increased by about 21 percent, inflation reached 22.4 percent (compared to 20 percent in 1981). This negative tendency was contrary to the OECD tendency where inflation went from 8.9 to 7.5 percent.

This deterioration in real income led to anticipated purchases of durable consumer goods as shown by the sharp increase in the sale of passenger cars during the year. In any event, changes in the nation's price index are strongly conditioned by what occurs overseas. The current changes in the price of energy may have positive effects already this year.

Economic Agents Pessimistic

Still according to the SUMMARY OF CURRENT CONDITIONS, 1982 was marked by a growing pessimism among the economic agents who tend to amplify the negative tendencies of economic change. One of the results of this pessimism was already noted earlier: funds are being placed in foreign assets.

Another consequence of this pessimism was the slowdown in the rate of investment in fixed capital, particularly in the construction industry. The investments that were made were mainly for replacement and expansion.

Moreover, finished product inventories increased significantly in the processing industry due to a decrease in orders that Portuguese businessmen had not expected. Another significant index of the existing pessimism is the reduction in the factory utilization rate.

Lastly, there is a certain amount of apprehension concerning severity of the expected contractionist monetary policy which will certainly have repercussions on credit to firms. It is also creating excessive liquidity in the banking institutions. For these reasons, the economic agents do not have very high expectations.

9935

CSO: 3542/122

NEW AMBASSADOR TO U.S. RICHARD MULLER DISCUSSES JOB, GOALS

Helsinki SUOMEN KUVALEHTI in Finnish 20 May 83 pp 90-94

[Report on interview with Richard Muller by Hannu Savola; date and place not specified]

[Text] Finland's ambassador to Washington will be replaced at the beginning of next month. Jaakko Itoniemi has already returned to Helsinki and occupied his new environment on the board of directors of Yhdyspankki [Union Bank]. Richard Muller, 49, the head of the Political Department of the Ministry of Foreign Affairs, is leaving [for Washington] as his successor.

The United States is not completely foreign to him since he spent over 8 years in New York performing duties at the United Nations.

"My biggest problem is the fact that I had such a darned good predecessor," Richard Muller said.

Jaakko Itoniemi's surprise resignation from the Ministry of Foreign Affairs came as a considerable headache to foreign policy leaders: A sizable series of appointments at the top of the Foreign Affairs Ministry had just made the rounds and they had managed to assign practically every first-line diplomat to his new duties and post.

The president and foreign affairs minister finally decided on Richard Muller, the head of the Foreign Affairs Ministry's Political Department, who himself had only occupied his post for a bit over a year.

In retrospect, Muller's appointment should have been predictable — at least in the sense that he has in general followed the same path as Itoniemi.

At the end of the 1960's Muller was working in the Foreign Affairs Ministry's then still very small Aid for Development Agency, which Itoniemi headed. At the start of the 1970's he was Itoniemi's subordinate in the Finnish UN delegation in New York.

In the early 1970's Itoniemi organized the European Security Conference as CSCE ambassador in Geneva. As for Muller, 10 years later he was serving in Madrid as ambassador at the CSCE follow-up conference.

In the mid-1970's Iloniemi became head of the Political Department of the Foreign Affairs Ministry. Muller was transferred to the same job 7 years later.

After all that, it does not seem strange at all that Richard Muller is to become Iloniemi's successor as head of the Finnish Embassy in Washington at the beginning of June.

Over 20 Years in the Foreign Affairs Ministry Behind Him

Muller got into the Foreign Service as a young candidate for the degree in law in the summer of 1961, when Ahti Karjalainen started his term as foreign affairs minister. A year before that Wilhelm Breitenstein — the present under-secretary of state for aid for development — engaged at the ministry as an apprentice civil servant, lured his student friend into a diplomatic career.

Of his early years, he remembers having served as Foreign Affairs Minister Veli Merikoski's official secretary. His first command abroad came 2 and a half years after his apprenticeship: as assistant to the UN delegation in New York, where Muller then with the exception of a short stretch at home served altogether 8 years, the last part of which as embassy counselor.

That was followed by a 4-year stretch at home as Foreign Affairs Ministry department and bureau chief, after which Muller got his first ambassadorial assignment, in Dar es Salaam, the capital of Tanzania.

From Africa in the fall of 1980 he was placed in command of the Madrid follow-up conference as CSCE ambassador, which became a long-drawn out affair when the international situation became strained, one that has not yet come to an end. From Madrid Muller was transferred to become head of the Political Department shortly after the start of the Koivisto era at the beginning of March last year.

In the course of his 22-year career he has accumulated a total of 13 years spent abroad.

"Field of Activity Is Huge"

Muller says he will be leaving for his new post full of enthusiasm. The 8 years spent in New York provide him with a good foundation to come to grips with his hopeless-seeming field of activity.

"The country is fascinating. I know a lot of Americans and I understand the mentality. In that sense the change will not seem strange. The field of activity is certainly huge since what is involved is a continent rather than a country."

The ambassador-to-be feels that his biggest problem is the fact that he has such "a darned good predecessor." He says that he received valuable information from Jaakko Iloniemi at the end of April when he spent a week in Washington.

In accordance with the lessons he has learned from Iloniemi, he intends to go ahead and build up relations with the State Department and top officials. He also plans to try to have talks with members of the government, even though he knows that getting to see them is often difficult. We must bear in mind that for Americans Finland is a very small and not necessarily very important country. Moreover, well over a hundred other ambassadors are competing for the same relations.

Muller sees his role as ambassador to the United States as being twofold. His most important job will be to act as the eyes and ears of Finnish foreign policy's highest command, analyze and report on U.S. superpower policy and reactions to world events.

On the other hand, the ambassador must be capable of intelligibly conveying Finland's image in the United States. "Mere affirmation of Finland's political options and goals is not enough; you have to be able to convince people of them too."

Muller does not believe that Finland's active foreign policy activity in the 1970's changed the American man in the street's views on Finland. "Our activation is scarcely viewed there in the same way we would hope to our liking. We have a tendency to exaggerate these things."

"Still Hope in the CSCE"

The former CSCE ambassador has not completely lost hope in the follow-up conference that is getting nowhere in Madrid. He emphasizes that it is very difficult to achieve results in a strained international atmosphere which is sharply polarized and in which the two alliances observe one another with great mistrust.

According to Muller, the atmosphere also more powerfully than usual exudes intolerance toward neutral and uncommitted countries. In spite of this, in March Finland made its last attempt at conciliation.

"We did so in a situation in which we felt that prolonging the conference would no longer help things, but would instead weaken the chances for success. We felt that, unless results were achieved in Madrid before the summer, the follow-up conference could no longer influence the general European climate in a healthy way, but would instead take second place to other negotiations.

Right now, Muller says he is for the first time hopeful with respect to the Madrid conference. According to him, small signs are evident that it might be possible to reach some sort of accord.

In the Foreign Affairs Ministry's Political Department Richard Muller is known as a workaholic who is in the office when the others come to work and stays there after the others have left.

He admits that he is in his office every workday morning at 0700 hours "making coffee for the girls." He says he usually stops working evenings between 2000 and 2200 hours.

"I'm not saying this to brag about myself. Perhaps it is rather my own shortcoming, the fact that I'm not a fast reader. I don't at all dare to read political texts very quickly. In this job you have to read telegrams and reports until your eyes are bloody."

Muller reminded us that in addition he had to find time to ponder international problems and how to react to them. "The morning and evening hours are the only peaceful moments; at other times there is always an awful commotion here."

"Generally people don't last any longer than 3 years as head of the Political Department without getting an ulcer," Muller said. "In that respect I was exceptionally lucky since I got out after somewhat more than a year."

Aside from being a workaholic, Muller also confesses that he is a tennis nut. "I'm absolutely crazy about that game, even though I'll never learn to play it well. I have astigmatism and no eye for the ball."

In Washington Muller hopes to be able to pick up his tennis racket again. It has been well over a year since he last played. "The head of the Political Department doesn't play tennis. This job doesn't give you a chance to relax."

His coworkers give the future ambassador to the United States high marks, although so far at least he has not been regarded as one of the very sharpest officials at the Foreign Affairs Ministry. They have gotten to know him more as a man of action than a shaper of ideas who has sovereign mastery over the lessons of foreign policy.

A fellow worker estimated that what "Dicken" may lack on the theoretical side he makes up for as a self-assured and intelligent good mixer who moves with ease in diplomatic circles and will scarcely have any difficulties in fitting into diplomatic circles in Washington.

11,466
CSO: 3617/130

KOIVISTO SEEN PUTTING STAMP ON REPUBLIC WITH NEW CABINET

Helsinki UUSI SUOMI in Finnish 6 May 83 p 10

[Article by Olavi Jouslehto: "Sorsa's Fourth Stamps Koivisto"]

[Text] When Finnish President Mauno Koivisto appoints Kalevi Sorsa's fourth government today, he will at the same time stamp himself as being more clearly attached to his political background and the Finnish concept of a national coalition.

Koivisto would have had a chance to broaden the base of his government to include the Conservative Party if he had wanted to and had the audacity to march right up to Conservative Party headquarters on Kansakoulukuja with the same strength with which his predecessor marched across Pitkasilta against the Left some 20 years ago.

But Koivisto preferred to take the SMP [Finnish Rural Party], which had backed him in the presidential elections, rather than the Conservative Party, which is the biggest threat to the SDP [Social Democratic Party] in power politics.

Bloody Decision

The government decision is a bloody one for many inside the government coalition, but it is bloodiest for the Conservative Party. And the bloodiest of all for chairman Ilkka Suominen whose government ambitions were struck down by visibly elevating precisely the contemptuous SMP as a more fit coalition partner than the Conservative Party.

Ilkka Suominen will have to swallow the consolation pill his predecessor, Harri Holkeri, good-naturedly took from Urho Kekkonen's hand, Holkeri to whom Kekkonen wrote: The people can also be served from the opposition.

In Holkeri's time Conservative Party constituents forgave their leaders for that submissiveness, but will they do so any more?

With its decision the current government coalition succeeded in all the more obviously sowing the seeds of frustration among Conservative constituents. Since to boot Eeva Kuuskoski-Vikatzmaa, who had deserted the Conservative Party for the Center Party (KEPU), was promoted to a ministerial post. SDP, KEPU

and SMP leaders can with reason expect the tough fight to produce some results. Or, on the other hand, it will increase the Conservative Party's internal nationalism and turn its constituents inwards toward cooperation.

Tears of Joy

If we look for joy and tears stemming from the government decision, we find joy particularly in the SMP and tears among those ministerial candidates who were left at the gate.

The SMP is rejoicing over its leaders' striped trousers and the fact that the party is no longer a "conservative, fascist party, a protest party incapable of cooperation," not really at all what it only 2 months ago branded its coalition partners with being in speeches.

With its unbacked pledges and populist election campaign, the SMP rose straight into the drawing rooms and the sweet life brought by power.

Its rise must be considerably upsetting to its coalition partners too, although they do not want to realize the fact. But it has also brought something new into the course of life in Finland, something that may bring the nation closer to taking care of its common affairs.

KEPU chairman Paavo Vayrynen rose to become foreign affairs minister and heavily defeated his predecessor, Par Stenback. It was as severe a defeat as Vayrynen's over a year ago.

It probably only goes to show that Stenback managed to take seriously what he was supposed to only as a temporary demonstration of respect.

Stenback is probably one of the bitter pills they had to swallow. Another one is KEPU vice chairperson Marjatta Vaananen, whose downfall had for a long time been obvious to even outsiders, but which Vaananen herself did not want to accept without a fight.

The third person to be embittered — perhaps the most embittered — is the KEPU's Mikko Pesala. He lost out in renewing his defense minister's post even within his own faction.

Pesala had been considered a shoo-in for the minister's seat ever since he opted for Paavo Vayrynen and turned his back on Johannes Virolainen. But it was must that choice that seems to have created an obstacle in Pesala's path, since his former background is ill-suited to the selection of a policy line. Now Pesala will have to be content to wait until KEPU policy-thinking heals over and be sure that dissenting and assenting competitors do not raise themselves from the heaven of representatives.

What Is the MTK Doing?

One characteristic feature of the new bilingual Left-Agrarian League government filled out with the representatives of a forgotten people is the fact

that not a single farmer has been accepted for admission to it. Not even despite the fact that all of its nonsocialist parties are those parties that most visibly represent agriculture.

Toivo Ylajarvi, who is an agronomist and enjoys the favor of the MTK [Agricultural Producers Association] but is in practical terms outside the pale of agricultural problems, has been promoted to the post of minister of agriculture.

Ylajarvi will probably also be a more popular and easy-going minister for Agriculture Ministry officials than his predecessor, Taisto Tahkamaa.

In practice this probably means that the restriction of production has taken a step forward in terms of the government decision since there will not be much room for familiarity with agriculture in the ministry.

Sorsa's Defeat

Bank director Seppo Lindblom's promotion to the post of commerce and industry minister was in the final analysis a defeat for Prime Minister Sorsa. Lindblom is Koivisto's man and he eliminated Sorsa's political secretary, Eero Tuomainen from the picture.

Since Koivisto has to boot endorsed Vayrynen as foreign affairs minister, it was no wonder that Sorsa in the speech he made to the party council expressed his anger with the government's nominator in polite language. Sorsa remarked that Koivisto did not prevent Vayrynen's promotion even though there were pressures to do so.

11,466

CSO: 3617/123

SKDL PANEL BLAMES ELECTION SETBACKS ON INTERNAL DIVISIONS

Helsinki UUSI SUOMI in Finnish 9 May 83 p 3

[Text] The SKDL [Finnish People's Democratic League] defeat in the latest parliamentary elections was due to internal disputes and participation in the government at a point in time that was inopportune. This was the judgment of the SKDL party council in the official statement it endorsed on Saturday.

The party council asserted that SKDL positions were not made public, nor was the party capable of acting as a channel for protest. In the statement they suggested that in future the building of confidence is the most important thing.

At the meeting they also endorsed the position paper on government policy, in which they operate on the assumption that the government's "stiff cure must be combatted." According to the SKDL, the balancing of the national economy and protection of [Finland's] ability to compete with Western exports were raised as the main issues for the government's program. The party council noted that both topics were top Conservative Party election issues.

According to the position paper, the indispensable main issues, namely the reduction of unemployment and the creation of new jobs, were already abandoned in the government's announcement of its program.

The SKDL's internal state of affairs was thrashed out at length in the general discussion. Nevertheless, no surprise decisions were made in the debate. It was decided to collect a special 30-markka membership fee to ease the SKDL's financial straits.

11,466

CSO: 3617/123

CP MODERATE-WING ORGAN COMMENTS ON PRESS ECONOMIZING

Helsinki KANSAN UUTISET in Finnish 6 May 83 p 2

[Editorial: "Toward an Action Campaign"]

[Text] From the standpoint of the SKDL [Finnish People's Democratic League] the outcome of the parliamentary elections was such that it also seriously affected KANSAN UUTISET's economy and has forced the newspaper's funding organizations, the SKDL and the SKP [Finnish Communist Party], to consider reducing the number of times KANSAN UUTISET appears as well.

Very radical alternatives to such reduction were also proposed. They would naturally have had a negative effect on SKDL news policy and organizational activity.

After extensive discussions the KANSAN UUTISET board of directors yesterday decided that the newspaper will appear 6 days a week as of the beginning of July and that it will be distributed mainly as a morning newspaper.

The aim of this decision is to above all protect KANSAN UUTISET's position as the country's biggest worker newspaper and the chief organ of the SKDL. This may also be the most important factor in striving to bring the party into a new political ascendancy.

The decision that was made will make KANSAN UUTISET's economy healthier while preserving opportunities to improve editorial policy. The newspaper must continue to be able to participate as a fully operational news medium in the struggle over national policy engaged in in different sectors.

This decision can, however, only be carried out with the assumption that the strong economic and moral support of the worker and democratic organizations and readers can be rallied in support of the newspaper. For this reason a plan for a campaign of broad support for the newspaper was approved at the board of directors meeting.

Thus in protecting the newspaper's position, they once again ended up with the same kinds of solution models the leftist press has always resorted to before when difficulties arise.

COOPERATION MINISTER NUCCI ON AFRICAN POLICY, AUSTERITY

Paris LE MONDE in French 6 Apr 83 pp 1, 4

[Interview with Christian Nucci, minister delegate to the ministry of External Relations for Cooperation, by Francoise Chipaux and Jean-Claude Pomonti; Paris; date not given]

[Text] Appointed on 8 December 1982 as minister delegate to the ministry of External Relations for Cooperation who replaced Jean-Pierre Cot and who was held over in the Third Mauroy cabinet, Christian Nucci outlines below the major features of his line of action. At the hour of austerity he relies on his interlocutors--in the first place the French-speaking Africans--to accept the language of "harsh reality" that he uses with them. "One does not deceive one's friends," he noted in this regard.

[Question] Don't you fear that the policy of austerity which is on the agenda may affect the activities of you own ministry?

[Answer] One can certainly be concerned and worried to some extent, but I believe that the French president, in his speech of 23 March 1983, reemphasized his resolve, as well as that of the government, to hold the course in external relations. Francois Mitterrand even made a very distinct allusion to France's relations with Third World countries. This leads one to suppose there will perhaps be austerity and difficulties. But in the field of cooperation policy and development, I hope that we may pursue our course along the path we have engaged and held so far and especially since France's national interest is involved here, both in its political as well as in its economic aspects.

I believe that the French president recalled that our effort must bear on those countries with which we have traditional ties of friendship.

Meanwhile, how should one maneuver between cooperation and development? A sound cooperation policy is that which, in the last analysis, makes it possible to slide from one slot to another and thus to move from cooperation to development. I hope that we can remain on that path. Once again, because

by making funds available for development one follows a more political commitment, to self-sufficiency in food, and to having those directly concerned aware of development problems.

Thus, I believe that there is perhaps a problem, not in mentality but in the conception of France's foreign policy, namely, in focussing our policy around the development of countries with which we pursue a policy of cooperation. Cooperation must be at the service of development.

[Question] Do the austerity measures taken already affect you directly? And can you give us specific examples?

[Answer] I cannot tell you anything now for the simple reason that the belt-tightening steps have not been determined yet. The initial data that we received indicated that we were going to be able to stay on course, were it only in terms of FAC [Aid and Cooperation Fund] credits. If we are able to maintain our FAC credits at the level set very early in 1982, that will already be a good thing.

[Question] You said: "It is better to consider 10 projects of 1 million francs each than one 10 million franc project." How can you manage to have your African partners approve such a choice?

Significance of the Recession

[Answer] The world and especially the developing countries at all levels of responsibility are becoming aware of the significance of the recession. And I have the feeling that this crisis is affecting them even more harshly than earlier ones did.

Thus, there is unquestionably a growing awareness by all our development partners of the primordial necessity to achieve self-sufficiency in food. In the space of a few years Africa, which some 20 years ago used to roughly meet its dietary needs, now imports between 27 and 30 percent of what it consumes. What happened? There have been various problems tied to the economy, but a certain population explosion has also occurred, which means that the number of people to feed has increased in sizable proportions.

Even now there is a very distinct discrepancy between the population and its food production capabilities. Thus, once this awareness occurs, it is necessary that on our side we work at projects in a more concrete fashion. That is what we are striving to do and I believe that we are managing. Some of our partners have understood the need to redirect their activity in the economic rural development, and agricultural policy fields.

The third stage of our thinking is to show what can be done in some countries where the problem in food self-sufficiency has been solved. For it is possible to improve the organization of the markets within countries themselves so as to limit as much as possible the losses in production tied to the problem of transportation and storage. To build very heavy equipment to store small quantities of agricultural products seems contradictory to me. There,

too, it is better to increase the number of much more flexible, much lighter storage and drying units that would be adapted to the production environment and the consumption milieu. This is approximately what we are trying to do, not to sell but rather to present to our partners. I must say that for the moment, within the context of our contacts, the message seems to be well received.

But we also have something to say to our partners right at the outset: "France is experiencing difficulties; Europe is having difficulties; the Western world is undergoing difficulties. And while, indeed, we respond to your requests, please understand that we shall not be able to do everything right away and that it is necessary that together we examine the priorities of priorities."

And, it seems, this is a language that they understand because it is the language of reality and truth. One does not deceive one's friends.

[Question] How do you view your relations with Guy Penne, adviser for African and Malagasy affairs at the Elysee Palace, and Claude Cheysson, the minister of External Relations to whom you report?

[Answer] As regards relations within the "triumvirate," that is, Claude Cheysson, Guy Penne, and myself, there is no problem. We are in complete harmony regarding the major lines of our policy. But we have different levels of approach. The policy that we pursue falls within the context of the external relations policy defined by the French president and in which Claude Cheysson is the most active element. Another important point is how to integrate the policy of cooperation and development with the policy of external relations, which is an aggregate.

A "Patio"

[Question] Since 10 May [1981] there has been talk of a cooperation agency. An interministerial delegation for development was created and there was a reform of the cooperation service in the Ministry of External Relations. Were these changes linked to questions of individuals and has a stable pace been found now?

[Answer] I do not know whether this is a problem of personnel but in 2 years it has been necessary on rue Monsieur to proceed with a certain number of changes. This means that it was necessary to gradually appoint individuals and establish structures and an administration working in this context. The foreign policy in the field of cooperation and development is identified with an individual who must be a minister delegate, and I believe that our African partners are very sensitive about this. We have striven, for nearly 2 years now, to give a new elan to this house which perhaps (and I say "perhaps" advisedly because I am very cautious) had a tendency to feel a little too far apart from the policy of external relations which used to be called foreign affairs. It has perhaps the feeling of being apart. We say it is integrated in our policy of external relations. It is thus necessary simultaneously to give it its stature, its structure, its means, but at the same

time perhaps at a certain point to give it--excuse the expression--a "boss," one who directs the store. This is not always easy. Let us say that the past 3 months have not always been propitious for it. This is a difficult period, it is true. But starting from that point I believe that three of us are not too many to pull the development cart.

[Question] How do you envision your relations with non-governmental organizations [NGO's]?

[Answer] I shall work closely with the NGO's. Let me say a word about this: We have reestablished contact. I do not know what happened but many things were said about my relationship with the NGO's. I can assure you that we shall be meeting soon. But I shall be very clear on that point. Fragmentation must be avoided because dispersal is synonymous with waste. There are so many people with good will; there are so many activist capabilities for the development of the Third World that it is necessary that we should be able (I would not like to say to "use" them or to "profit" from them) to optimize them--in short, that those individuals who have truly remarkable field experience should be used to the best of their capacities. There is no question of reestablishing control over any of them but rather of furnishing an available tool to individuals who have concrete experience in the field. When, for example, we are about to drill for water sources--a fundamental problem in Africa--we are specifically going to be able to meet, at the same time, the need of the people and also move along the same track as the policy pursued by the NGO's.

[Question] What is your opinion of "triangular" and regional cooperation operations?

[Answer] As far as I am concerned, triangular cooperation is an existing dimension but one which we would like to see amplified. Some of our partners wish, for example, to benefit from cooperation operations organized jointly with an African country, already very advanced in a specific technology.

As for regional cooperation, an idea that I like, the law on decentralization gives and will give departments and regions new operational means. How is this decentralization to be used in the context of cooperation? There are plans and intentions. We shall strive to establish them fairly soon. The advantage of this cooperation is that on one hand it will involve people at equal levels of responsibility and on the other it will bring individuals with different types of experience together for no one speaks better of his experience than he who has lived and experienced it.

We shall be able to sensitize a certain number of men and women of this country to cooperation and development.

[Question] As a former participant in the cooperation program yourself, what were your initial contacts with those cooperating?

[Answer] The collaborators are important. They are the "machines" of the system. It is thus necessary that they be supported in their work and in their mission. They must know where they are going, what they will do, and especially what they will become at the conclusion of their mission, for we must respond to this legitimate concern. Everyone knows that the cooperation program will increasingly be only a stage in the careers of officials or collaborators. When they return to France, it will therefore be necessary to assure them of appropriate conditions for reinstatement (in their jobs). In the field they must be well set up.

Categorical goals are important: The government has assumed commitments but we find ourselves in a difficult economic situation. As a function of budgetary imperatives, I classify on a priority basis the living and accommodation conditions of those participating. On that score, too, I told them: I shall make no promise that I shall not be able to keep and I shall talk realistically and truthfully, no matter how hard this may be. I do not know whether this language will work, but apparently our cooperators have felt our resolve to protect their interests, which goes without saying, but also to act in such a way that they should live under pleasant conditions.

2662

CSO: 3519/452

PCF FUND SOURCE IN 1813 MUNICIPALITIES, 350 COMPANIES

Paris LE FIGARO MAGAZINE in French 19 Feb 83 pp 56-61

[Article by Jean Montaldo: "Here's How the PCF Made a Billion"]

[Text] A yearly budget of 1.5 billion francs! Where does the Communist Party's money come from? "Solely from the membership," the party leaders reply. Jean Montaldo's investigation shows, however, that there are quite a few other sources--sources that are surprising and sometimes even secret, if not actually "occult."

With the municipal elections 2 weeks away, the documents we are publishing show in effect that the 1,813 municipalities controlled by the PCF obtain huge revenues for the party from a number of "captive" markets. They also show that the Communist Party controls at least 350 commercial enterprises, even though Georges Marchais has recently said: "Our finances are open to public view. The party has no commercial enterprises and has nothing to do with these activities."

Our revelations should have considerable impact on the coming municipal elections.

The file which I am opening today for LE FIGARO MAGAZINE shows how the French Communist Party is able to find, each year, the 100 billion centimes (my estimate in 1977, which I have increased today to approximately 150 billion) necessary to meet the expenses of its gigantic apparatus.

Coming expressly from Paris on 3 November 1982, the police of the Marseilles financial brigade who were in charge of the investigation of the "case of the false invoices" (exposed in June 1982 during the mayoralty of Gaston Defferre) carried out a large-scale dragnet operation. The 71-year-old Roger Sentenac, communist financier and party veteran, was interrogated. Entrusted with a judicial commission from Examining Magistrate Marie-Chantal Comy (who had already instituted approximately 70 indictments), the officers of the Marseille SRPJ [expansion unknown] were in possession of sufficient supporting data to put this veteran PCF member under arrest. For discretion's sake, however

(the PCF is now in the national government), they gave Roger Sentenac an opportunity to justify his conduct as P-DG [president-director general] of the SIAVIT [expansion unknown] real estate development company, which is a part of the PCF's commercial empire. As a "good soldier" in the service of his party, Sentenac remained scrupulously silent. It did not bother him to learn that the PCF leadership had officially disowned him by declaring on 5 November (at which time he was in custody):

"None of these stories has anything to do with the PCF. We do not know Mr Sentenac." Then on Sunday, 7 November, Georges Marchais told our colleagues of the "Grand Jury RTL [Radio-Tele-Luxembourg]/LE MONDE":

"These matters have nothing to do with us. The PCF has no commercial enterprise whatsoever, I am telling you, except for L'HUMANITE and a printing establishment, the PPT [expansion unknown], which are, moreover, nonprofit organizations operating under the provisions of the 1901 law."

To make such an assertion is tantamount to regarding the interviewers as ignorant. The PCF statutes are there to prove that Georges Marchais lied, for they stipulate: "The financial resources of the party organizations are generated from dues; contributions (collections); rebates from elected officials (in other words, from the illegal receipt of a part of the remuneration paid to its mayors, councilpersons, deputies and senators); and the enterprises of the party."

Among these enterprises is Roger Sentenac's SIAVIT, founded on 31 March 1960.

One of the directors of SIAVIT is Maurice Pierrat. Together with Roger Sentenac, he manages the Economic Participation Group for the Outfitting and Supplying of Collectivities (GIFCO), organized as a corporation under the chairmanship of another Communist Party member and former member of the bureau of the Allier Federation of the PCF, the late Rene Lajarge.

It is to the trio Lajarge-Sentenac-Pierrat that the party owes the brilliant success of GIFCO, which is a sort of holding company grouping together a total of 32 commercial enterprises.

In reality, the purpose of this industrial and commercial complex--which impacts on all the economic and social activities of the nation--is to free the communist mayors of France from the burden of having to choose their suppliers. GIFCO assumes responsibility for contacting customers--whether they be private or state-owned enterprises--and also for distributing the orders placed by the PCF-governed cities and towns among its 32 companies and in accordance with their respective vocations.

In short, the sole vocation of the companies of the GIFCO group is to deduct a variable percentage of the total of each one of these public purchases. For these 32 companies, the system calls for drawing up a "covenant" (protocol agreement) with the suppliers of services to the communist municipalities whereby the suppliers pledge--in this private agreement--to rebate to the PCF companies a portion of the receipts accruing to them from the markets thus obtained. All this takes place under conditions that are completely contrary to the spirit of the code regulating public transactions.

The PCF Has Become an Enterprise for the Prior Deduction of Funds

The GIFCO companies are in actual fact a cover for transactions designed to funnel public and private funds into obscure channels: in other words, to compel--with complete impunity and in concert with the communist local collectivities--many state and private enterprises to contribute directly or indirectly to the party.

The PCF has accordingly become an enterprise for the prior deduction of funds that operates in the majority of the approximately 1,813 towns controlled by the party. One of these towns is Corbeil-Essonnes, where Roger Sentenac resides and where a felonious transaction was exposed 3 months ago without the public truly being informed.

It was a typical operation that meant--for Roger Sentenac--being indicted and jailed in Marseilles at Baumettes prison (where he remains) for "fraud, forgery and profiting from forgery." A useful detail is the fact that he was notified of his indictment secretly on 11 November, which was a holiday: in other words, 4 days after the above-cited statement by Georges Marchais over the RTL airwaves. Why was he indicted?

Two private companies--Stok France and UFIC-SIVEGI [Financial Union for Construction--Sales and Real Estate Management Information Company]--in 1981 jointly created Les Pepinieres Real Estate Development Company [SCI] for the purpose of building 79 houses in Corbeil-Essonnes.

On 1 June 1981 Stok-France transmitted to UFIC-SIVEGI--a perfectly honorable company--the complete dossier bearing the signature of a Corbeil architect. The impact study was completed in May 1981, and all the studies pertaining to the conception and administrative preparation were also completed, including the contacts with the prefecture, the town of Corbeil, the Department of Bridges and Highways, and the other concerned services. It was therefore unnecessary for Les Pepinieres SCI (which was created forthwith) to initiate--as is customarily the procedure--technical discussions with the town government.

More specifically, the request for a permit to build the 79 structures of the "Coquibus II" project was filed by the SCI at the town hall on 12 June 1981. The permit was delivered in record time: the "favorable decision" of Communist Mayor Roger Combrisson is dated 10 July 1981, and the final building permit under the signature of the prefect of Essonne is dated 17 September. In 3 months--in the very midst of the vacation season--everything had been arranged.

How was this possible? The dossier submitted by Stok-France to UFIC-SIVEGI originated with Roger Sentenac's SIAVIT, which had of course spent not a single centime on its elaboration. For SIAVIT's role is to deduct the PCF's "tithe" in the course of the transaction (even for the delivery of building permits to private companies for private development projects) rather than to operate as a genuine research organization and honest organizer of real estate development operations. Roger Sentenac requested a total remuneration of 400,000 francs, exclusive of taxes and increased by the amount of TVA [value-added tax] payable. This sum was officially mentioned in Article 3 of the "protocol agreement" in the form of a false invoice, which we have authentically reproduced.

The important question is indeed, therefore, to understand why and how Roger Sentenac became involved in this case with his SIAVIT. SIAVIT itself was accompanied by another fictitious research organization, the "B 06." They were connected with false invoicing and laundering of money "harvested" from it for the PC. Lucien Zemour, the Nicois tax inspector connected with "B 06," had already been charged and jailed in connection with the case of the false invoices of the Marseilles mayor's office.

Let us establish several other facts:

1. Another resident of Corbeil is the Paris manager of the Stok-France company and associate of the EPIC-SIVEGI. He is a childhood friend of Claude Combrison, son of the mayor of Corbeil, who also happens to be Roger Sentenac's immediate assistant in SIAVIT.

2. The owner of the tract of land purchased for 8.7 million francs by Les Pepinieres SCI as a site for its construction project is a major contractor in Corbeil who owns numerous markets in the town and in the department.

Let us now turn to the documents that led to the arrest of Roger Sentenac, former member of the "Central Section for Administration and Finance" of the PCF Central Committee.

To my knowledge, it was on 30 October 1981 that receipt of the "draft agreement" between the "Office of Research and Industrial Development" connected with the so-called "B 06" enterprises-organizations, the SIAVIT and Les Pepinieres SCI front--was recorded, in due and proper form.

This contract, which we reproduce (Facsimile No 2) on the following page, arrived at the Stok-France company accompanied by a business card (Facsimile No 1) of "Roger Sentenac, president-director general, SIAVIT SA [Inc]: real estate development, general construction information and reports," and so forth.

On this business card Roger Sentenac had imprudently written, in his own handwriting: "Please be so kind as to return a signed copy to B 06. Thank you." This is followed by an arrow pointing downward, indicating to the recipient that reference should be made to the document appended to the business card, namely the aforementioned "protocol agreement."

A Simple Mailbox Established in a Village Near Nice

An examination of the signed copy of the "protocol agreement" (contract) transmitted "for approval" not by B 06 but by the "businessman" of the PCF to the associates of Les Pepinieres SCI attests to the complicity existing between Roger Sentenac's SIAVIT and the B 06 "Research Department," a completely phantom entity created in Alpes-Maritimes (according to L'HUMANITE of 7 November 1982) by "Lucien Zemour, central tax inspector for Nice, who has, moreover, been charged with breach of trust, misuse of public property, forgery and profiting from forgery, to the detriment of the Marseilles city government."

Contrary to what has been written up to now, "B 06" is not a commercial enterprise but a simple "trader," a sort of false invoices "grocer." It began operations officially on 1 January 1980, the date of its original inscription in the register at the Nice commercial court, where its entire dossier consists of four pages.

This simple mailbox--opened in a village near Nice with the complicity of a scrap metals dealer--was the property of "Mme Grava, nee Zemour," wife of the signer of the "protocol agreement."

Let us now refer to the "protocol," bearing in mind that B 06--charged by SIAVIT with the task of establishing, under this formula, a false invoice addressed to Les Pepinieres SCI--was presented by Roger Sentenac to the management of the SCI being fleeced as "a company of the GIFCO group, of which SIAVIT is a member"--and therefore as a company with ties to the PCF. This is the reason why these executives agreed to sign the contract with B 06, not able to imagine the fact that they were having to remunerate a "dispensary" specializing in fraudulent invoices designed for the purpose of laundering the funds needed to finance the PCF. According to Article 2 of the "protocol agreement," "B 06 pledges to undertake all useful representations with respect to this transaction until such time as the building permit is obtained, in concert with the architects, research department, municipality, government, and so forth."

It is all quite clear. Through B 06, the SIAVIT of Roger Sentenac (and of the PCF) will be remunerated for "representations," rather than for research or other work done. Representations to whom? Notably to the municipality of Corbeil, whose mayor, Roger Combrisson, is the father of Claude Combrisson, Roger Sentenac's assistant. And I still will not have closed the books on this story when I add that the director of public works--the official charged with studying the dossiers submitted for building permits from the Corbeil city government--is Jean-Luc Combrisson, the mayor's nephew.

Article 3 of the "protocol agreement" is even more instructive. We have noted that it prescribes the contractual amount of the remuneration that Les Pepinieres SCI will pledge to pay to B 06. This particular article is quite revealing: it does not contain, as should be the case, any suspensory clause in the event the B 06 (SIAVIT) steps fail. And for good reason: the steps had already been made, meaning that the coup had been organized perfectly.

Article 4 stipulates that payment of the fees due B 06 (on behalf of SIAVIT, whose name is of course not mentioned) shall take place at the time the work is initiated, "namely, 30 November 1981." No exception is made with respect to this date, as is customary when one undertakes a commitment to carry out a transaction such as the obtaining of a building permit, even when one cannot be certain of success. It so happens that in this instance success was assured, inasmuch as the permit had already virtually been obtained; the "protocol agreement" was dated 1 September 1981, and the mayor's favorable recommendation 12 July. We have seen, moreover, that it was on 30 October 1981 that the "protocol agreement"--antedated--was actually transmitted for final signature to the partners of Les Pepinieres SCI, that is to say,

approximately 1 and 1/2 months after the definitive delivery of the building permit, which took place on 17 September 1981.

Article 5 of the "protocol agreement"--which is actually a "covenant not intended to be recorded" (which is understandable!--introduces for us a note of humor: "...given the specific character of the missions (sic) entrusted to B 06, its responsibility cannot be sought in the area of specialized technical studies and preparation of the dossier for the building permit and the execution thereof." For the truth is that B 06 did nothing, just as its director-general, Zac Grava--who signed the "protocol agreement" drafted by Roger Sentenac--did not carry out any of the "representations" for which Les Pepinieres SCI paid him. I may add that Zac Grava never went to Corbeil-Essonnes; that he was not indicted (did he even testify?); and that the "protocol agreement" which the PCF asked him (through the intermediary of Roger Sentenac) to sign is the same model used for other protocols by each and every one of the 32 companies of the GIFCO group, which are managed principally by Roger Sentenac and Maurice Pierrat.

The text of this contract serves to explain and verify the content of an AFP dispatch of 8 November 1982 (reference AFP 081916-GB YH M MFO), which elicited no comment. I may add that the 16 lines of this valuable text are based on a recorded statement that has not been refuted:

"The role of the SIAVIT company--whose chief executive officer, Roger Sentenac, was arrested in connection with the investigation of the false invoices in Marseilles--'was limited to the obtaining of the building permits and to the contacts with the town governments,' AFP was told Monday by an official of the Stok-France company, which has carried out two real estate development projects in Corbeil (Essonne).

"All the professionals concerned know what entities one must go through in order to be able to build, according to the sensitivities of the municipality,' he added. In Corbeil, where the mayor is Roger Combrisson (PCF), we naturally turned to Mr Roger Sentenac's 'SIAVIT,' this official continued, explaining: 'We entrusted that company with a mission of assistance relating to organization of the two projects, Les Pepinieres and Le Hameau du Coquibus, consisting of a total of 125 houses.'"

Why then did the mayor of Corbeil not lodge a complaint against his "comrade," Sentenac, if it is true that the latter took unlawful advantage (to fraudulently pocket 40 million centimes) of "representations" to his municipality--"representations" which he acknowledges never took place?

When, however, one learns of the personality, the past, the mission, the devotion, and the self-sacrifice of Roger Sentenac, one is justified in posing some questions--all the more so because all the rest of the dossier attests to the involvement of the PCF itself in the case.

From a bundle of confidential internal documents I have taken a map of France (Facsimile No 3), segmented so as to show how GIFCO operates, with what members, in what regions and departments, and from what addresses.

The design of its commercial network gives one reason to believe that the financiers of the PCF have divided up the nation.

In order to exploit the substantial budgets of the towns it controls, the party decentralized its commercial structure, which is composed of a total of approximately 350 companies, including the 32 of the GIFCO group. The financiers are accordingly installed in the four corners of France: North, Normandy, Brittany, Center, South-West, Languedoc-Roussillon, South-East, Rhone-Alps, East, and the Paris region, where they have their home office.

I also have in my files the organizational chart of this entity (which is generally representative of the other entities, for there are many whose activities interblend, overlap, intersect, and complement each other), and it reveals a remarkable effort at infiltration. All the supplies, and all the services, that the communist town governments require are furnished to them by the "obligatory intermediation" of GIFCO and its provincial antennae. The elected officials of the PCF receive, to that effect, a detailed documentation preceded by the aforesaid warning. Under the heading "Equipment, Supplies," one finds: "As advisory and distribution companies, our aim is to offer you--as public collectivities--the entire spectrum of supplies and services necessary for the establishment, organization, operation and maintenance of your equipment, offices, MJC [Communist Youth Movement] chapters, day nurseries, municipal administrative services...." Under a second heading ("Management: Second Service"), the directorate general of GIFCO (meaning Roger Sentenac) further states: "As advisory companies, our aim is to enable you--as public collectivities--to carry out all of your managerial plans by organizing with you all the necessary studies, whether they be economic, technical or financial in nature." Lastly, a third sector for intervention is recommended to the elected officials of the party for everything that relates to "planning and construction."

Presided over by Maurice Pierrat, PRECOBAT covers three areas: "planning, study, and coordination of construction activities."

Addressing the same audience, SOCOFAP [Commercial Paper Company]-Construction proclaims itself (together with its "relations service") to be qualified to set up all "sociocultural, educational, and sports facilities and vacation centers."

SOCOFAF-Stationery selects--and deducts for itself--a percentage in remuneration for the contracts concluded by the town governments with the suppliers of: "Paper and supplies for duplicator-photocopiers and office machines; stationery; school supplies; notebooks and educational materials; didactic and instructional materials; alcohol duplicators...." Notice to amateurs: "catalogs and price lists" are "at your disposal upon request" at the home office of the company: "Extensions 336 and 327 for paper and office supplies, 325 for school supplies and notebooks, and 345 for the other activities" in which SOCOFAP "has specialized for more than 10 years."

For its part, SOCOFAP-Equipment operates just as systematically: "For Departments 01, 03, 04, 45, 41, 37, 71 and 28" one is requested to call Extensions "315 or 322. For Departments 77, 78, 95, 51, 10, 52, 70, 21 and

89, Extensions 322 or 343. For Departments 75, 92, 80, 02 and 08, Extensions 340 or 326." SOCOPAP-Equipment has a well-defined mission, managed by "a team of specialists who are at your disposal": "Outfitting of administrative centers, auditoriums, theaters, and multipurpose rooms. Wedding halls. Planting studies for landscaped or traditional offices. Residences for elderly persons; clubs; day nurseries. Studies and equipment for libraries."

For its part, SOPARECO centralizes orders for products ranging from "household linen" to "bedsheets" and including "dustcloths and dishcloths" and "toilet seat covers."

The OPP supplies "stationery of all types of paper...." Following is another indication (addressed to mayors outside the capital) of the perfect organization with which the communists are endowed: "For Departments 01 to 45, inclusive, 94, and 95, please call Extension 333. For Departments 46 to 90, inclusive, 91, 92, and 93, please call Extension 335."

The AGPP and its "printing, materials and printing-paper departments" enable "you to print, or have printed, your periodicals, bulletins, leaflets, posters, files, notebooks, tickets, letterheads, envelopes," et cetera. Through the AGPP the mayors can buy, to this end, all "materials for composition, paste-up, and photography."

We could continue this review of details for a long while. Be it known, however, that the CEMAB--Center for (the Purchase) of Office Machines--is what its name implies; that the Sports Cooperative is concerned with all leisure-time and open-air equipment; and that the Sports Equipment company has doubled the activity of the enterprise that preceded it, by assuming responsibility for contacts with a view to the construction and outfitting of "stadiums, athletic fields, stages for school auditoriums, swimming pools, gymnasiums, and sports halls...."

Be it known also that the APRAU company is an "agency for planning and research in the areas of architecture and urban planning"; that the Ferrandon Corporation deals with "thermal engineering and collective heating for buildings, schools, hospital centers, HLM [Low-Cost Housing Program] offices, and public and private collectivities"; and that SICOPAR works wonders in the area of "advice, research, and soil management" (greenery, stadiums, sanitation, street lighting); the acquisition of equipment for "the collection and destruction of household refuse"; and in representations to enterprises specializing in all kinds of projects such as "water supply, the construction of purification and treatment plants, the installation of community kitchens and laundries, et cetera."

A Few Words From Christian Bonnet That Have, Strangely Enough, Been Forgotten

As one can see, nothing escapes GIFCO--to the point that the providers of services and supplies to the communist town governments are even obliged to go through it if they want to obtain the important "vacation colony, back-to-school, and winter sports markets," or even if they only wish to sell to the collectivities that are closely administered by the PCF "layettes, work

gloves, leather clothing, aprons of all kinds, uniforms, work shoes and boots, rainwear; end-of-the-year gifts for military recruits; gifts for laureates of examinations, persons coming of age, St Catherine celebrants, golden wedding anniversaries, retirees, Mother's Day, et cetera." In closing, let us not forget the "fireworks" and "flag ceremonies."

I also have in my possession the list of public enterprises (including the Renault corporation) and private enterprises (including Citroen) which are also "tapped" by the enterprises of the PCF and of the GIFCO group. I also am in possession of bookkeeping vouchers attesting to what lawyers call "influence peddling."

Let us now go back in time. We are in the Senate on 7 December 1977. In a few words (which were not reproduced by the media), Minister of the Interior Christian Bonnet called attention to the role of the 32 companies of the GIFCO group: "With respect to the research departments...some of them are directly linked to political organizations...Sud-Est Equipment and ORGECO [expansion unknown]--which are well known--are contributing to bolster the finances of certain political parties represented here and also in the National Assembly."

Although Christian Bonnet has cited above the names of two research organizations, you will note that he specified neither their political affiliation nor the name of the political party to whose "finances they were contributing." It is accordingly even harder to understand why, of all the senators present, only two communists--Louis-Marcel Rosette (mayor of Vitry-sur-Seine and theoretician of municipal action) and Jean Ooghe (of Sainte-Genevieve-des-Bois)--denounced Bonnet's statement, as follows: "Give us proof!" "Tell us about the scandal of the murder of the deputy from Broglie!" Did they feel they were being targeted?

One can (as is true in my case) regret that the government then in power did not authorize Christian Bonnet to present his evidence, and in particular the many items that had been transmitted to him on 9 July 1977 by Michel Van Migom, architect and centrist councillor general of Bouches-du-Rhone, concerning the Sud-Est Equipment Company, recognized as being part of the PCF commercial empire. Citing an "intolerable situation," Michel Van Migom wrote to Bonnet:

"...Kindly find enclosed herewith a dossier which brings together the documents relating to this matter. Allow me to emphasize the extent to which the liberals and persons 'who are not within the line' suffer from this organized economic discrimination in the communist municipalities. I have had to part with more than half of my personnel because as a liberal architect I do not enjoy the confidence of the municipal council of Arles. It is the same in the case of those enterprises that do not agree to wear the 'iron collar' prepared for them. This economic terrorism has the most unfortunate effects, and it is vitally important to put an end to it--all the more so because this system is one of the most important elements in the overall provisioning system for the party, which in this way has found the means to have its treasury bolstered by some of the very adversaries whom it wishes to defeat."

A high-ranking government personality replied as follows to Michel Migom (who questioned him later) concerning the decision to suppress this scandal: "We cannot--and do not wish to--do anything, for we are not anxious to have any complications with the Soviet Union." In effect, all of the PCF enterprises have an open account at the Soviet state bank in Paris, where the party hides the bulk of its funds. This enabled Georges Marchais to proclaim: "Our finances are open to public view. The party has no commercial enterprises and has nothing to do with those activities...." And it enabled the Central Committee to add: "We do not know Mr Sentenac."

The following document--seized by the examining magistrate of Marseilles (who is charged with the case of the false invoices)--was taken from the PCF archives. It led to the arrest of R. Sentenac:

Protocol Agreement

Between the undersigned:

Of the one part, Les Pepinieres Real Estate Development Company, 15 Avenue de l'Opera, 75001 PARIS, represented by its manager, Mr Theo Stok, and hereinafter denominated: "Les Pepinieres SCI,"

And:

Of the other part, Office of Research B.06, 9 Place Corniglion-Molinier-Roquebiliere, 06450 LANTOSQUE (director-general, Mr Grava Zac), hereinafter denominated: "B.06,"

The following has been agreed upon and covenanted:

Article 1. Les Pepinieres SCI proposes to acquire a tract of land situated on National Route 446, surveyed as Section B, No 16, in Corbeil-Essonnes (91), for the purpose of building houses on said tract with PAP [expansion unknown] financing.

Article 2. Said company has charged B.06 with making all useful representations concerning this transaction until the building permit is obtained, in concert with: the architect, Office of Research, municipality, national government, et cetera....

Article 3. Les Pepinieres SCI pledges to pay to B.06, in remuneration for its work, the contractual sum of 400,000 francs exclusive of taxes and increased by the VAT payable.

Article 4. The aforesaid SCI shall pay the fees due B.06 in the following manner:

a. Fifty percent upon initiation of the VRD [expansion unknown] work on the group of housing units, that is to say, on 30 November 1981.

b. Fifty percent upon initiation of construction work on the group of housing units (excepting the witness), that is to say, on 28 February 1982.

Each settlement of account by Les Pepinieres SCI shall be subject--on behalf of B.06--to a prior bill for fees together with specification of the applicable taxes.

Article 5. It is understood that given the specific character of the missions entrusted to B.06, its responsibility cannot be sought in the area of the specialized technical studies relating to preparation of the dossier for the building permit and the execution thereof.

Article 6. In the event one of the parties merges or is absorbed--or if said party transfers all or part of its business assets--it herewith acknowledges that it will undertake responsibility for execution of the present agreement by the new company, by the absorbing company, or by the entity acquiring the business assets.

Article 7. The Commercial Court of the district in which B.06 has its headquarters shall have jurisdiction over all litigation relating to execution of the clauses and conditions of the present convention.

Article 8. Inasmuch as the present agreement is not destined to be recorded, all fees, stamps, and costs of registration shall be the sole charge of that party which causes this document to be the object of an action at law.

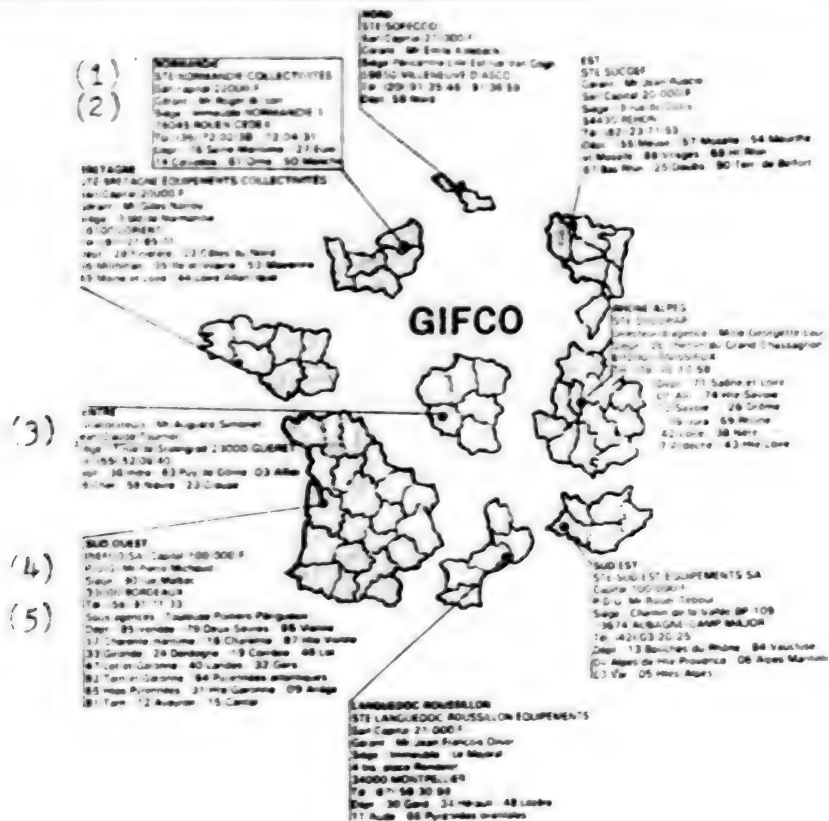
Done at Roquebiliere on 1 September 1981, in triplicate.

Signed

For Les Pepinieres Real Estate Development Company, the comanagers, Mr Theo Stok, Stok-France Company.

For B. 06, the general director, Mr Zac Grava.

Table 1. GIFCO



This map constitutes a document. It shows how the PCF has divided up France in order to oblige enterprises wishing to do business with its municipalities to give the PCF a kickback.

Key:

1. Normandie-Collectivities Company. Limited liability company. Capital 20,000 francs.
2. Manager: Mr Roger Bisson. Head office: Normandie Building, 1.
3. Associates: Mr Auguste Simonet, Jean-Claude Tournier.
4. President and director-general: Mr Pierre Michaud.
5. Subagencies: Toulouse, Poitiers, Périgueux.

10002

CSC: 3510/304

U. S. SEEN UNABLE TO PROVIDE CYPRUS SOLUTION

Athens EXORMISI TIS KYRIAKIS in Greek 15 May 83 p 12

[Text] Unfortunately, in many instances the memory of historical events fades rapidly. Thus, the inglorious end to the "embargo" on military aid which had been imposed by the United States under President Carter against Turkey for the shameful invasion of Cyprus by its forces has been forgotten by some people, as well as by a portion of the press. At that time, matters were at a feverish pitch, and some theatrical gesture had to be made. Then many people were led astray, including even distinguished political figures, who not only based their hopes on this embargo but also made enthusiastic statements about their optimism. Of course, the pampered child of the United States and NATO was not going to continue being "punished" for very long. Thus, "before the cock crowed" the embargo was lifted and rivers of every sort of aid deluged Turkey from then on, to such an extent that now we have reached the point of struggling to get a certain ratio in this military "aid," which is not really aid. It seems that all these things have been forgotten. Because once again we have seen headlines in the press such as "Turks, Get out of Cyprus," which supposedly was the statement from the United States, because the Foreign Affairs Committee of the House of Representatives decided by a vote of 14-13 that an embargo should be imposed on military aid from the United States to Turkey if its troops have not withdrawn from tormented Cyprus by September 1987--that is, after 4 years. "Hope springs eternal." But even this limited decision was subverted within a few hours by a later decision, according to which aid can be continued even after 1987, regardless of the withdrawal of the troops from Cyprus, provided that Mr Reagan can assure Congress--perhaps on his word of honor?--that aid to Turkey is necessary if it is to meet its obligations to the members of NATO. Therefore let us stop being super-optimistic concerning the ostensible change in direction of the American stance vis-a-vis Turkey, and let these reverses be a lesson. Because it is not a question of the good or bad faith of Mr Carter, of Mr Reagan, or of any other American president. It is a question of the long-range interests of American policy, which are served by a strong Turkey. And these interests are not going to be overturned for humanitarian reasons or for reasons of international ethics and justice. The comforting portents as to a solution to the Cyprus problem come from the natural agency for handling this problem, which is the United Nations, from the freedom-loving and progressive peoples throughout the world, and from a steadfast and unwavering solidarity from the Greek people and its government. The battle which was waged this week in the United Nations, the espousal by

the non-aligned bloc, in its resolution, of the proposal by President Kyprianou for the withdrawal of all occupation troops as a necessary condition for solving the Cyprus problem, and its reference to "occupation" forces, the spirited defense of our stand on this great national issue by the deputy minister of foreign affairs, Karolos Papoulias, and the mobilization of international public opinion all constitute steps forward in a continuing peaceful struggle which will ultimately be won.

12114

CSO: 3521/327

'KASTRI GROUP' REPORTEDLY ISOLATES PAPANDREOU

Athens I KATHIMERINI in Greek 23 May 83 pp 1, 3

[Excerpts] The law on the "socialization" of nationalized enterprises is developing into a "personal political confrontation" between Premier A. Papandreou and those who come from the Center and the Left, according to the assessments of political observers. The tone of this "personal confrontation" was set when the premier assumed personal responsibility for the socialization measure without having obtained any compensation or forbearance from the Right, which itself condemned it strongly, along with the other political forces.

The measure has been characterized by all the political factions as being unprecedented in its antidemocratic character, because in reality it abolishes the right to strike, in relegating this to theoretical procedures having to do with an absolute majority of members--procedures which have not been adopted in any other democracy.

But according to reports, within the administration as well it has given rise to strong reactions with respect to how it is to be enforced, as well as concerning the definition of the concept "socialization."

The 'Kastri Group'

Within the administration there is a prevalent impression that this bill is the work of the group made up of the premier's close associates and partisans, who have promoted it in absolute secrecy and behind the backs of the other ministers. Moreover, a number of ministers have criticized the manner in which the premier brought the bill to the Council of Ministers. First of all announcements were made to the television and press, and only later did the session of the Council of Ministers begin, without any minister being given the option of formulating possible objections or his reservations to it.

The bill and the way it was promoted reveal in fact the creeping problems which exist in the majority party. The entourage of Papandreou, the "Kastri group," as it is called, does not trust anyone else, whether minister or parliamentarian, and therefore it rejects any inner-party dialogue on the "serious" problems. The "other ministers" busy themselves only with details, as was confirmed also by the contents of the circular on determining their areas of jurisdiction.

According to reports, various PASOK parliamentarians consider the demonstrations which took place the other day to be a clear and strong warning to the government and to the premier himself. Indeed, the fact is mentioned that this is the first time since the dictatorship that demonstrations have taken place against measures which were announced by the premier himself. In reality, they add, this constitutes a blow to the prestige of Papandreou, just a few days after the successful rally at Komotini. They add that with the tactics which it has been following, the government is burning its bridges behind it.

Also the same governmental and parliamentary figures maintain that with the tactics which these people have followed, they have paved the way for the KKE to reap the fruits of all of the dissatisfaction of the workers in the public and tertiary sector. In this confrontation with the KKE, a party which necessarily will go along with all the democratic forces, they fear that the government will emerge the loser.

Moreover, by the way in which the government presented the measure, it put everyone in the dilemma of "tolerating or not tolerating the abolition of the right to strike." By contrast, the parliamentarians are insisting on the need for dialogue and democratic processes, which constitute also the best response to the influence of the KKE on the workers.

Finally, the same ministers and parliamentarians are charging the leading figures of the administration with showing a total lack of preparation in its presentation of the measure. Moreover, the way this was done reflects also the more general political attitude of the administration to the important problems which it faces. The same people maintain that the government must begin a substantive and structured dialogue with the producing classes, the workers, and all other parties concerned, so as to present a different countenance and regain the confidence of the people.

12114

CSO: 3521/327

PASOK SEEN SLIDING INTO ANTIDEMOCRATIC MEASURES

Athens I KATHIMERINI in Greek 23 May 83 p 9

[Text] In speaking last week at Komotini, Papandreou again referred, in the course of his speech, to the "socialist transformation" which is being sought by the policy of his administration. He did not return to projecting this "vision," because the first time the suggestion was heard--and despite the lofty tone which was used by the speaker in its delivery--the reaction of the audience was an eerie but instructive silence! Even though the slogan-shouting reactions of the cheering section had been pre-arranged. Even though this "Change" in a socialist direction is the quintessence of the election victory which was celebrated long into the night of "18 October" by PASOK and by those of other socialist "persuasions."

But why this change of attitude toward the..."Change"? What has transpired in the 18 months of socialist rule which made even its architect himself become so circumspect in mentioning its strategic objectives? That which has transpired, what is making this majority of 48 percent shift the domain of its hopes from the indistinct horizons of socialist transformations to the doleful everyday world of economic and social life, is very simply its attempt to implement this "Change"! Everything begins with that, and everything comes to an end in this attempt.

Everything was done to make the failure complete in all sectors. In a remarkably hungry frame of mind, government "officials," experts, and professionals "nibbled away at" whatever was in front of them. Not at some of those things which needed to be eradicated, and which had they been eradicated the nation would have thanked these people. But rather those few things which the post-dictatorship period had managed to set up and which permitted our country to be counted among the--unfortunately very few--free countries of the present world.

Nor did socialism itself escape from the catastrophic work of the "socialists." They took from it one by one all the points of difference between it and the "existing socialism" of the Soviet type, which is so humane, so democratic, and so progressive that the dictatorial communist parties throughout the world are insignificant minorities, or when they do govern they are hated regimes. The bill introduced the other day on the "socialization of nationalized enterprises" gives the most persuasive proof of this truth.

The premier felt the need to appear in person on the mass media in order to announce the introduction of this bill. Not because--as he maintained--it constitutes some significant development in the manner of functioning of enterprises under the control of the State. But because he had to "package" the "virtues" of this "socialization" with as much rhetoric as possible, so that the "evils" of Article 4 would remain obscure. Those evils which take away the right to strike from those employed in the "socialized" organizations. Only a charismatic "socialist" leader could undertake such a mission! It is not an easy thing to be contemptuous of citizens' constitutional rights and under the pretext of socialist progress to give the country's political life over again to antidemocratic ways of operating, against which so many struggles were needed in order for them to become "history."

The antidemocratic downward course will not stop here. How could it be otherwise? Since it is the government's own logic which proposes resorting to force when the policy followed fails to win over the workers. On the contrary, negative manifestations will multiply and will come at an accelerated pace, because as time passes its handling of economic problems--as well as other problems--will lead to an accumulation of more and more failures.

The administration of Papandreou has now stopped working on its own behalf. It is working on behalf of the policies of its enemies. Not, of course, the policies of the communists. To an even greater degree than the "third road" socialists, the communists do not have anything else to propose for dealing with our economic, social, and political problems than getting out of NATO and the EEC and the nationalization of everything. We should be like...Poland, for example. Which is not a member of NATO, nor of the EEC, and which has nationalized everything. This is how it has come by its inexpressible felicity! Consequently, it is very hard to see how there could be many who would choose the worse in order to avoid the bad!

The administration of Papandreou is now working for the middle-class, the democratic opposition. The deplorable thing is that this same class is not working on its own behalf. However, stopping the antidemocratic downward course of PASOK is something which can be undertaken only by this class. Not for the reason that it will thus win the next elections. But because this will keep our domestic affairs from deteriorating to such an extent as to make it very difficult, if not impossible, to alter them when the hour comes for us to free ourselves from the "Change"!

12114

CSO: 3521/327

SCENARIOS FOR KARAMANLIS ACTIONS IN CRISIS

Athens EPIKAIRA in Greek No 769, 28 Apr 83 pp 16, 17

[Text] The possibility of a deadlock in the Greek-American talks on the bases--regardless of causes or reasons of expediency--is leading to a more general political crisis whose dimensions and consequences are still unclear. This is the opinion of almost the entire political leadership of the country, which foresees that this crisis, if it finally manifests itself, will take the form of dissension concerning the vital issue of the international orientation of our foreign policy. The PASOK government has committed itself to a certain line by making proclamations and taking positions which do not provide Papandreou with alternate solutions in case the negotiations fail. The current status quo of the bases cannot be prolonged, either tacitly or by a proclamation of its provisional status until the uncertainty is removed by new negotiations. Thus in such a case the premier will be obliged to order the withdrawal of the bases within a stipulated time period, or else to ask for a renewal of his popular mandate before making his final decision. The first scenario is considered unlikely. The political and economic costs of a decision for the immediate removal of the bases are enormous for the present government, while the severing of relations with the United States creates in addition a colossal and immediate problem in connection with the defensive capability of our country. Therefore the most likely scenario is that Papandreou will strive to shift the responsibilities for such a critical decision to the electorate.

Elections to Be Moved Up?

In such an event, the procedure to be followed is well known. On the basis of Article 41, Paragraph 2 of the Constitution, the premier can recommend to the president of the Republic the dissolution of the Chamber of Deputies in order "to deal with a national issue of exceptional importance."

Of course, this recommendation is not binding on the overseer of our system of government. Karamanlis can invoke both formal and substantive reasons for rejecting it. Recourse to the mandate of the people is a relatively recent option, and the issue of the new Greek-American agreement has been included in the platform positions of all the parties, with the result that any administrative decision is covered by the electoral verdict of 18 October 1981. All the more so since the possibility of the removal of the bases had also been submitted by PASOK to the judgment of the Greek people. The precedent of 1977, when upon a recommendation of Karamanlis as premier the elections had been moved up by 1 year, has fundamental dissimilarities to the present case.

At that time the government's term of office was drawing to an end, whereas very important issues were pending which called for an immediate solution, such as rejoining NATO, the Greek-Turkish dialogue, and above all the issue of the EEC.

Presidential Refusal

But aside from these things there are also substantial political reasons on which the overseer of our State may base his refusal. If there is an acceptance of a corresponding recommendation by the premier, it is natural for the elections to take the form essentially of a referendum which will relate to a vital issue of our foreign policy. Therefore the question which arises is whether the people have been fully informed about the dimensions and the consequences of their verdict. And above all whether they will be given the assistance and all the facts needed for them to understand that with their vote it is not just that Greek-American relations will be put at risk, nor will they themselves just be passing judgment on "illegitimate" proclamations concerning national independence, but rather they will be decisively determining the long-range orientation and international position of our country.

These concerns are of fundamental importance. The precedent of the 1981 elections demonstrated that PASOK's displaying of contradictions on issues of foreign policy created a manifest confusion among the public, which voted for Papandreou's party by making arbitrary choices from among the proclamations on its program. That is, the public separated out PASOK's positions on foreign issues as being unfeasible and consequently unrealizable, while it accepted its proclamations in the sector of domestic policy--and especially its economic promises--as being feasible and realizable. An important role in making this distinction possible was played by the presence in the president's chair of Karamanlis, who according to the popular--but erroneous--understanding would "guide" the Papandreou government in such a way that it would "do the expected and refrain from doing the disagreeable."

Inadequate Information

In addition, during the 6 months which have passed since the commencement of negotiations with the United States it was inevitable, of course, that those theses which gave support to the Greek side would be featured (the import of the bases, national obligations, international responsibilities and handicaps) and that references to arguments which tended to weaken our negotiating positions would be avoided (economic trade-offs, political and defense advantages, and so forth). And of course this tendency by no means contributed to the correct and full informing of the public on the problem.

Under these conditions, the expectation is--assuming matters are pushed this far--that the president will express his refusal to grant any request by the premier for the elections to be moved up, with the point at issue being the "Greek-American discord."

If Karamanlis refuses, Papandreou has no other constitutional solution than to submit his resignation, so as to obtain in this way the hastening of the

electoral confrontation. But from that point on, a political if not a governmental crisis becomes imminent. By Article 38 of the Constitution, the president of the Republic can "release the premier if he has resigned." The same article provides that "in these cases, the mandate for forming a government is entrusted to a member of the Chamber of Deputies, who is obligated to ask for a vote of confidence in accordance with Article 84, or to a member or non-member of the Chamber of Deputies for the purpose of the immediate dissolution of this chamber and the conducting of elections."

The Solution of the Referendum

That solution gives disadvantages and advantages to the two representatives of this discord. Based on the present correlation of forces in the Chamber of Deputies it is difficult, if not impossible, for any configuration of forces to obtain a vote of confidence if it is rejected by the governing majority. Consequently, the sole alternative in sight is to charge this mandate with the immediate dissolution of the Chamber of Deputies and the proclamation of elections within 30 days.

The disadvantage for Papandreou is that the elections will not be conducted by his administration. The corresponding disadvantage for the overseer of the State is the political confrontation and the critical situation which in all probability PASOK will generate in bringing this constitutional solution to the "tribunal of the streets."

For these reasons, it is very likely that a different scenario will prevail. Instead of elections, we may have a political showdown, with the conducting of a referendum on the basis of Article 44. That is, immediately upon the recommendation of the premier on moving up the elections, instead of refusing the present of the Republic may deem it expedient to resort to the verdict of the people himself. In this way, he himself will shape and address the substantive question of his disagreement with the administration, and in all probability he will also link his decision on whether or not to remain in the president's office with the outcome of the referendum. Such a development seems to be feared more than all the other scenarios by Papandreou. And perhaps this constitutes the factor which more than any other is keeping matters from being pushed to the point of a rupture with Karamanlis.

12114

CSO: 3521/327

KARAMANLIS SEEN FULLY ABOVE PARTIES

Athens POLITIKA THEMATA in Greek No 454, 20-26 May 83 p 18

[Excerpts] Some 3 years ago, K. Karamanlis successfully went from being the leader of the large majority party to being the president of all Greeks. This is a rare, if not unique, case in Greek political developments.

The third president in order of the new Greek Presidential Republic, he is shaping this new institution in the steps he takes, in such a way that others can follow him, by avoiding the undertaking of any initiative which could create misunderstandings or frictions.

His prerogatives include, for example, the convoking of the Council of the Republic (which consists of past presidents of the Republic, premiers coming from the Chamber of Deputies who have been given its vote of confidence, and the leader of the official opposition).

In exceptional cases, the drawing up of an official announcement to the people.

The proclamation of a referendum calling on the people to give their opinion on critical national issues.

The convening of the Council of Ministers under his chairmanship.

He has not used any of these prerogatives. Perhaps because he believes that he has not yet exhausted all of his latitude for action, perhaps because he believes that resorting to these prerogatives is a demonstrative as well as a decisive act. Perhaps because--as we said--he is now giving shape to this ill-defined institution. And he wants to run it without a facile resorting to political tensions, not by exerting power as a sovereign, but by exerting it as a balancer.

We have noted at various times that ever since PASOK rose to power the president must have frequently felt discouragement. And certainly this was not due to his ideological opposition to the new bearers of power, as many would believe or would like to believe.

What has affected him negatively has been the administration's unpreparedness. The capricious, erratic, unstructured, unstudied, and unprepared handling of many--and sometimes serious--issues.

He is a person who believes in order, preparation, and planning, and he becomes practically enraged when he sees issues being dealt with in a makeshift way-- issues which he himself has devoted his whole life to resolving.

Despite these things, he gives counsel and keeps hoping. And of course he takes care to see that this makeshift attitude does not at some point adversely affect issues for which great care is needed.

Then he will not hesitate, that is certain. Because nothing carries more weight with him than his sense of the dangers to the nation and his own increased responsibilities toward them.

Now in the fourth year of his presidency, Karamanlis surely is weaker in the eyes of his personal friends. A number of his old brothers-in-arms--as they watch him become an insistent exhorter of national unity and popular consensus--would like him to lend his support to their faction. But as we have said: Karamanlis has transcended the bounds of partisan passion. And for 3 years now he has been idolized by the people. But this does not mean that if it were necessary he would not raise again the banners in new struggles.

12114

CSO: 3521/327

ANKARA HARDLINE URGED FOR THRACIAN TURK RIGHTS

Istanbul MILLI GAZETE in Turkish 24 May 83 p 3

[Article by Abdurrahman Dilipak "The Situation in Western Thrace"]

[Text] Tensions in Western Thrace continue. Following Papandreou's provocative speeches in Gumulcine, Greek peasants have begun to occupy the land of Turkish peasants..

While Greek authorities open the subject of Cyprus to international debate on the one hand, on the other hand they are doing all they can to create a fait accompli in the Aegean and Western Thrace.. In three villages which are dependencies of Gumulcine and one a dependency of Iskece a total of 4000 acres a large portion of which is land owned personally by Turks while the remaining 500 acres are used as village communal land, are now being plowed by Greek peasants. Land which belongs to Turks has been blatantly usurped.. Turks who opposed this fought with the local police and the occupiers persisted in their occupation with the support of government forces.

This unexpected occurrence is not the first one in Western Thrace.. The repair of Turkish houses and mosques has been a problem for some time. Greek bureaucracy has always frowned on Turks. Education has become a problem; on almost every single issue Turks are faced with threats and pressure. Their social rights have been violated, attempts have been made to eradicate their cultural values.

From the viewpoint of timing, it is possible to interpret such an occurrence as a broad fronted attack aimed by Greece at Turkey. Cyprus, the rights to the Aegean islands and the Aegean Sea as well as the question of Western Thrace bring the Greco-Turkish conflict very much to the fore.

Previous agreements are put on the agenda again and the course of events makes their revision imperative.

It is possible that in the near future the course of proclaiming independence could be followed in Cyprus. Furthermore, parallel to the question of Western Thrace, Turkey might put into effect its resolution about reprisals, in response to the injustice and oppression to which the Turks of Western Thrace have been subjected.

It appears that Greece hopes Turkey will find it difficult to reach a decision on the question of zone conditions and that it will be unable to raise its voice much on the subject of special offset accounts. The harshness of this reckless Greek policy and the position taken by supporters who encourage such rashness as well as prevailing conditions are of great importance... If Turkey delays calling such boldness to account, Greece might carry its aggressions further..Our attitude must not encourage Greece. Quite possibly the Greek Government, with its bargaining attitude toward the U.S.A., and having drawn the USSR to its side, calculates that, because of considerations of internal equilibrium, the U.S.A. will be unable to oppose it. As for the EEC and the NATO countries, it is confident that some will give it their support while the rest will not, at the very least, take a tough stand against it.. At a time like this, when independent nations show in what direction their preferences lie, the UN vote intends to achieve all it can..

Turkey is forced to take a firmer stand and to speak a language the Greeks can understand.. There is no time left to lose..A policy of voting and delaying is no solution and serves no purpose other than to heighten the crisis.. Unless of course we say let us give up Cyprus, relinquish our rights in the Aegean and that Western Thrace is an internal Greek matter, which is something no one can say..

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CONSERVATIVE NEWSPAPER COMMENTS ON SUB INCURSIONS

Helsinki UUSI SUOMI in Finnish 6 May 83 p 2

[Editorial: "Nordic Peace Disturbed"]

[Text] Nordic coastlines have not recently been models of typical Nordic peace. Explosions produced by depth charges and rockets have raised showers of water while Norwegian and Swedish naval forces searched for the submarines of a foreign power among their islands and fjords.

The navies of both countries have gradually shifted to tougher measures and heavier weapons to get the peace disturbers to rise to the surface and thus also reveal their nationality.

It seems to be inconceivable that some country or countries are sending more and more new subs to the shores of the Nordic countries on spy missions, even while the latter are still trying to locate and force to the surface vessels detected earlier.

Evidently, fatal victims in these searches for destroyed submarines are needed before the intruders are identified, after which violations of territorial waters may even decrease.

More and more new sub sightings along the shores of both the Baltic and the Atlantic tell us of the superpowers' military interest, directed toward the coastlines of the Nordic countries in conjunction with the increase in tension between the superpowers. On the other hand, stepped-up surveillance because of earlier incidents may also account for the increased number of sightings.

In Sweden a report published a week ago on last fall's sub hunt relates that a foreign state was particularly boldly spying in that neutral country's waters, was putting its coastal defense system to the test and apparently even conducting maneuvers there.

From the standpoint of a neutral country such high-handedness is of particular concern. If the inviolability of territorial waters is so little respected in peacetime, they will not care for the inviolability of a neutral country's territorial waters in crisis situations at all.

Sweden and Norway's sub incidents also affect Finland since our shores are probably objects of underwater interest to foreign powers as are our neighbors', even though the shallow and reef-filled waters limit submarine activity in our territorial waters. When our naval patrols gave chase to subs sighted last summer in international waters, it was hardly the only time underwater visitors were in our territorial waters.

For this reason it is appropriate for the government to follow the situation as well. On Thursday a report was given to the Foreign Affairs Committee on both the Swedish sub report and on surveillance measures in our territorial waters.

While we do not have as many sub sightings as Sweden, this does not mean that we are outside the danger zone. We must be capable of sighting any possible intruders and, if need be, also driving them away. The safeguarding of the inviolability of our borders is also essential under water as well as on land, at sea and in the air. If we are incapable of doing this, it will mean a gap in the credibility of our neutrality.

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CSO: 3617/123

CP MODERATE-WING ORGAN COMMENTS ON SUB INCURSIONS

Helsinki KANSAN UUTISET in Finnish 6 May 83 p 2

[Editorial: "The Situation in the Nordic Area"]

[Text] Public statements are not often issued at meetings of the Finnish Government's Foreign Affairs Committee. For this reason let us take a close look at the statement said committee issued in connection with the submarine report at its meeting yesterday.

The statement gives us to understand that military interest focused on the Nordic area is on the increase. Following the many incidents that have occurred, this is probably a justifiable assertion. Actually, this sort of development has been obvious for years now. According to the government's statement, Finland's goal is to preserve stability in the Nordic area and keep it outside the tensions of superpolitics. The hope is a conventional one.

They say that the government has also received a report on matters relating to the surveillance of Finland's territorial waters and that it has decided that a suggestion that a ban on nuclear weapons be adopted before permitting future naval visits directed toward Finland. This action will also receive the support of citizens.

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THOMSON RADAR FACTORY ESTABLISHED AT YMARE

Paris LES ECHOS in French 22 Apr 83 p 7

[Article by R Quezzet]

[Text] Minister of Industry Laurent Fabius yesterday attended the signing in Rouen of an agreement between the local chamber of commerce and industry and Alain Gomez on the terms and conditions for the establishment of a Thomson factory on 30 hectares of land in Ymare, a rural commune of the Rouen urban center.

This factory of the DRS TVT division of Thomson-CSF [General Radio Company], will manufacture radar systems. It is scheduled to become operational in 1985 when it will start out with a personnel force of about 50 that could progressively grow by 150 more jobs a year.

Thomson's coming to Rouen, capital of a region in the government opposition ranks, has caused a lot of ink to flow inasmuch as the choice of the Rouen urban center by the nationalized firm owes much to the will of Laurent Fabius, an elected official of the region. All the more so since Thomson had sufficient land around the already existing buildings in Brittany and Aquitaine.

This will not prevent the local communities from playing the game. Thus, the region will assume 25 percent of the expenditures for making the land viable. Seine-Maritime Department has agreed to provide for the improvement of the department roads leading to the future plant, at a cost of 17 million francs.

Also to be noted is the contribution of about 3 million francs by the Beauce rural labor union.

During the first phase, the Ymare plant will be built on 20,000 square meters of land that will be capable of doubling in size at the end of the decade. Intended to work together with other specialized Thomson plants in Bagneux and Meudon, the plant in the Rouen urban center constitutes a high technology industrial production unit.

It also is an investment of around 50 million francs that opens new prospects, particularly as far as subcontracting is concerned--both in areas located downstream and upstream from Rouen--for local firms that have been severely affected by the crisis.

Jacques Mouchard, president of the Rouen Chamber of Commerce and Industry, preferred to see the establishment of this plant as "a turn toward hope."

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PHYSICIST EXPLAINS REFUSAL TO JOIN SPACE RESEARCH PROGRAM

Helsinki UUSI SUOMI in Finnish 9 May 83 p 3

[Article by Satu Rikkonen: "United States Has Launched Intensified Space Program; Finland Not Participating in Research"]

[Text] Finland is not participating in programs begun in the United States, the purpose of which is to find radio signals sent from outer space by possible other civilizations.

"I would hope that countries other than the United States might now also participate in part in the projects that have been begun, but this would involve primarily countries that have other kinds of resources than those Finland has," said nuclear physicist, Ph.D. Nils Mustelin.

"There is only one radio telescope in Finland and it is fully employed with other research projects.

"Thus we do not intentionally search for them, although, of course, everyone working in this field has great dreams of accidentally observing signals," Mustelin said.

There is nothing new in itself about searching for signals sent by civilizations outside earth.

What is new is that unprecedented new and powerful radio-technology devices are in use in the studies that have been initiated in the United States at the present time.

"It would be fantastic if we were at last to obtain some sort of proof that intelligent life exists in space," Mustelin summed up hopes for the research that has been instituted.

Naturally, searching for messages does not proceed without other complications. Problems crop up and the foremost is verification as to whether a signal has been artificially produced.

"And if that should be the case, it would be a revolutionary experience," Mustelin said.

If such an artificially produced signal were to be found, the next problem would be understanding it.

Then too, the distance of the signal adds complications.

"It is possible that the signals cannot be recorded. Or the signals are sent from so far off that they are especially weak or do not reach us. It may also be that radio signals are not the form that is used in seeking contact from elsewhere," Mustelin listed the possibilities.

Radio signals have been sent into space from the earth for 40 years now.

"We will scarcely receive answers to our own messages since those signals are still so near the earth that they have not been able to reach 'our neighbors'," Mustelin mused.

He estimates that we will not be able to receive answers to our messages until 200 light years have elapsed since they were sent. Likewise, messages arriving here — if they are at all discovered through the new attempts that have been launched — will be at least 200 light years in coming.

"Intelligent life has not yet been shown to exist anywhere else but here. The existence of civilizations is at least as yet theoretical speculation," Mustelin asserted, although he does place great hopes on the research begun in the United States.

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